HOW TO FINANCE HOME LIFE

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THE HOME AS A BUSINESS

CALVIN COOLIDGE is truly an outstanding example of the product of the American home. The home from which he came is not marked by wealth or ostentation — just a bit of farmstead in the blue hills of Vermont where his father, until his death, cared for the homely chores in old-time fashion, with his gray head turned not a whit by the greatness to which his son had come.

But it is because of the fundamental soundness of the Vermont home that President Coolidge speaks with a sureness and certainty concerning the part occupied by the home in the national fabric. The following excerpt written by Calvin Coolidge, bears witness:

" Society rests on the home. It is the foundation of our institutions. Around it are gathered all the cherished memories of childhood, the accomplishments of maturity and the consolations of age. So long as a people hold the home sacred they will be in the possession of a strength of character which it will be impossible to destroy."

Patriotism is merely an extended love for the individual home. A nation of home-owners is a patriotic nation. We, as a people, love our country which we know as our own, our home. No home, no patriotism — no patriotism, no nation.

Of course, we want a home — some time expect to have a home of our own. But we fail to consider that not only is the home a very definite institution, but like all other institutions which are to be run at a profit — and the profit of homes is happiness — it must be established upon a firm and solid foundation. It must be adequately and properly financed in the beginning — it must be assured of a certain and positive fund for the overhead and operations charges — there must be a sinking fund provided to care for unexpected contingencies and emergencies — there must be proper provision for extension and expansion — there must be a means whereby its bonds may be retired upon maturity and the interest met at stated intervals, if receivership and dissolution are to be avoided.

If any of us contemplated starting up in a certain business we would be careful to gain at least a modicum of knowledge concerning that business before we embarked upon it.

Establishment of a home is truly a business. The business of the home is to manufacture happiness, contentment and stalwart, upright citizens. Surely this is an important business.

Let us then gain as much information as possible and let that information come from firms which have found the correct way to conduct this business of home-making and home operation.

THE AUTHOR

TABLE OF CONTENTS

CHAPTER V

CHAPTER VI

CHAPTER VII

CHAPTER VIII

CHAPTER IX

HOW TO FINANCE HOME LIFE

Chapter One

FINANCIAL TERMS

THERE are about a hundred words and phrases used in finance that all should know. If we all knew these words and phrases — if they gave us a clear mind picture whenever we heard them — we would often be able to make decisions for ourselves more quickly, and would not become so bewildered and wholly at sea when financial men or stock salesmen talk to us. Nothing is mysterious when a person knows what it means.

To assist in building the foundation for an understanding of a language strange to so many of us, we will give simplified explanations of these generally used terms and phrases. In some manner the following expressions all enter into the successful financing of the home:

Abstract of Title. A record showing the successive ownerships of a piece of property from the time of its grant to the present day. This is prepared by land

title companies, title guarantee companies or title insurance companies. These records are known as "searches," and show any incumbrances which may be on the land. Mortgage companies will not loan money on land without being provided with an abstract of title, and no individual should loan money on a piece of land or property without requiring the borrower to show such an abstract.

Administrator or Administratrix. When a person dies without having made a will, the probate court or some other proper legal authority appoints some person to take charge of the goods and estate for the purpose of dividing it among the lawful heirs, according to the law. This person, if a man, is called the administrator; if a woman, the administratrix.

Amortize. This means the assurance of payment of a debt by creating a sinking fund — i. e.: setting aside a certain amount at regular periods to assure the payment of the entire amount when it is due. For instance, if one were to borrow $1,000 for a period of 10 years the loan would be amortized by depositing $100 each year for the 10 years.

Annual Interest. Interest paid once a year. Investments which assure of interest being paid only once a year are not considered as desirable as those on which the interest is paid every three or six months.

Annuity. A certain sum of money to be paid yearly or at fixed periods. If a man were to will his son $100

a month during the son's life, that would be an annuity of $1,200.

Appraisement. This is the value set upon anything by some one who is accepted as an authority. To get a bank appraisal upon a piece of property before buying it is one safe manner of determining whether the price asked is too high or not.

Assessed Valuation. This is the value set upon property by the city, county, or state, for the purpose of taxation. Usually the assessed valuation is much less than the real value.

Assets. Anything belonging to a person or firm having any value which might be utilized in paying off debts or obligations of the person or firm.

Baby Bonds. Bonds issued in denominations of less than $1,000.

Bill of Sale. A written paper from the seller to the buyer of some personal article or property, showing that the seller has given title to the buyer for some certain consideration or payment. Bills of sale are not used for the transfer of real estate from one person to another.

Blue Sky Law. This is the term given to laws designed by the different states for the protection of investors by giving the state authority to prohibit the sale of stocks or securities which officials believe might result in fraud upon investors. But no blue sky law in the world can prohibit a person from making foolish

investments. There is a simple rule for that: "Before Investing — Investigate."

Bond. This is a contract by which a government, state, municipality or a corporation agrees to return a certain amount of borrowed money at a definite date and to pay a certain rental for the use of the money at specified times. There are many types and classes of bonds and the investor who is not familiar with these many types and classes will do well to get advice from a reputable bond house or banker before investing in bonds offered to him.

Bond of Indemnity. This is a measure to protect one against loss in investment matters. In the financing of the home its most frequent use is to protect the owner of the home from mechanic's liens upon the property, and assures that the home will be built according to contract for the sum of money specified in the contract. No one should undertake the building of a home without requiring that the building contractor supply a bond of indemnity, or a "guaranty bond" as it is sometimes called.

Bonus. In financial matters it generally means "something extra given to make the sale price attractive." For instance, a company will offer preferred stock at a certain price, and to make the price attractive to the purchaser will offer some of the common stock as a bonus.

Book Value. The value of stock in a company as

represented by the books of the company. However, the book value of a stock is often much greater than the market value of the stock, and investors will do well to secure dependable and disinterested advice concerning stocks of any kind before putting their money into them.

Boom. A rise in prices caused by enthusiasm rather than by real producing worth. Booms usually collapse when enthusiasm wears itself out and those who buy at boom prices are often left "holding the sack" when reasonable and natural levels are reached.

Broker. A person who makes purchases and sales for others, receiving his pay in the form of a fee or commission.

Bucket Shops. This is a term applied to the places operated by irresponsible brokers and are really not brokerage places in the main, but places where the investor seldom has a ghost of a chance to win.

Building and Loan Associations. These are really banking institutions for the person of limited savings whereby the savings of many may be combined and utilized profitably for the building of homes. The plans and purposes of these associations will be fully explained later.

Building Mortgage. This is sometimes, or rather more often, known as a mechanic's lien. The law allows mechanics and laborers a claim upon property for work done on the property, or to those supplying

materials, which must be paid by the owner of the property. Even though one has paid the building contractor in full for all the work done these liens can be collected from the owner if the contractor has not paid the wages to his men, or his bills for material. To guard against such loss the owner of the property should insist upon the contractor supplying an indemnity bond for completion of the contract, or withhold the final payments until the time for filing mechanic's liens has expired.

Capitalization. The total amount, or par value, of the stock for which a company is incorporated to do business. In other words, the amount of money which can be safely invested in the enterprise and upon which it will pay adequate earnings, according to the ideas of the promoters or organizers. But the investor should not allow himself to be parted from his savings for stock in a company just because of the millions of dollars for which it is capitalized. Some states have incorporation laws which make it easy to incorporate with large capitalization and it often turns out that those with the largest capitalization have the smallest chance of success. Better get advice from a reputable investment house before succumbing to the prospectus of these companies or the talks of their salesmen.

Care of Securities. Stocks, bonds, deeds, mortgages, and all other valuable papers should be kept in a safe deposit box. The cost of rental for a safe deposit box

is very small as compared with the safety offered to one's precious records. But before putting such papers in the safe deposit box, make a list of them and have that list describe them as completely as possible. Then keep that list where you can get at it readily.

Certified Check. An ordinary check upon a bank, drawn by the depositor, across the face of which some authorized officer of the bank has written, above his signature, evidence that the person has sufficient money on deposit to pay the check when it is presented. When a check is certified the amount for which it is made is withdrawn from the credit of the depositor and the certified check will be paid by the bank.

Checks. Checks on banking accounts are such a familiar institution in our business and everyday life there is no necessity for describing them or their many uses. However, there are one or two important things concerning checks not so generally known as they should be. First, either cash, or deposit, to your own account all checks as soon as possible after receiving them. To hold a check often keeps the person from whom it was received from getting a proper balance of his account, and many times results in loss to the person holding it. In most states checks lose their value at the time of the death of the one who drew them; and in the event of the financial failure of the person who made the check, the person holding it would have no claim in case other checks had been made and presented

during the time he was holding it. In writing checks it is always advisable to make a notation on them, preferably in the lower left corner, concerning the item for which they are payment. Such checks, when returned by the bank after having been paid, constitute the finest kind of receipts and are acceptable in court as direct evidence that the account has been paid. Always keep your checks after they have been returned from the bank, for at least five years. They may be needed as evidence when least expected.

Collateral. The security which assures the repayment of a loan at the time and conditions under which it is made.

Commission. The fee charged for buying or selling by the banker or broker who buys or sells securities for the customer. The commission charged by reputable investment houses for purchases of stocks or bonds is very small as compared with the commissions paid to salesmen for selling stocks to investors. This difference is much to the advantage of the investor, not only from the money actually saved, but also from the fact that the reputable investment house provides for him the service of intelligently selecting those securities best suited to his needs, whereas the salesman handling but one or two securities is imbued not so much with the welfare of his customer as with the thought of making the sale and securing his commission.

Common Stock. That part of the capitalization of

a corporation upon which dividends may be paid only after all other obligations have been met. Dividends cannot be paid on common stock until after the debt of the company has been met, the interest and sinking fund of the bonds provided for and interest paid on the preferred stock. Then, whatever may be left from the earnings of the company may be paid out in dividends on the common stock. The common stock represents the speculative ownership in the corporation. Common stocks should not be purchased by the average investor without advice from reliable and competent investment counsel.

Corporation. "An invisible, intangible person existing only in contemplation of law," is the way a corporation is legally defined. We more often use the word "company." The corporation, or company, has its existence in a charter granted by a state to carry on certain specified classes of business, under certain stipulations and conditions, for certain purposes. It is an outgrowth of the partnership, wherein many persons may unite their funds for the purposes of carrying on a business for profit. The stockholders of a corporation are the partners, and as partners are responsible for the debts of the corporation in proportion to the number of shares they hold. Oftentimes municipalities are referred to as corporations because they are incorporated under the laws of the state to carry on the business of the municipality as a separate firm.

Coupon. The coupons in which we are most interested are those attached to bonds, representing the interest on the bonds for a certain period. Bonds have a sufficient number of these coupons for each interest payment during the entire life of the bond. It is not wise to cut these coupons off before the time they are due for payment. Some persons cut several of the coupons off at one time so as to have them handy when the time comes to present them for the money. Many times this has caused loss for the owners, as the coupons become lost or destroyed. Leave them on the bond, just cutting them off in time to present them when they are due — then, when the last one has been paid, the bond will be matured and the whole value of it will be paid by the company issuing it. It is not necessary to send the coupons to the place specified on them to get one's interest money. They can be deposited in the bank and the bank will make collection and credit the amount to your account.

Credit. The word comes from the Latin "credere," which means "to believe." When we have credit — when we can get goods, or supplies, or money — it means that we have inspired confidence in others that we are honest and will meet our obligations when we say we will. Therefore, credit is a thing we should be most jealous and most careful about. When we lose our credit we have lost the confidence of our fellows.

Cumulative. Often we see the expression "cumulative preferred" in relation to stocks. The word

"preferred" means that dividends will be paid on this particular stock before any dividends may be paid on the common stock. Usually preferred stock specifies some particular rate of dividend, such as 7 per cent. But when the word "cumulative" is placed before the word preferred, it means that in the event that the company is not able to pay the required dividend one year the amount shall be added to the dividend next year, and the next, and so on until the company has sufficient profit to pay all the accumulated preferred stock earnings, before any dividend can be paid on the common stock. Where the preferred stock of a company is cumulative the common stock becomes less attractive as an investment, because, if the company should omit payment of the preferred dividend for a couple of years or longer, it might be that the earnings of the company would never be sufficiently large for it to get caught up on these accumulated debts, and as a result there would be nothing left for dividends for the common stock.

Days of Grace. Generally three days are allowed after a note or mortgage, or other paper, becomes due in which payment may be made before legal action can be taken to collect. However, if these days of grace are taken by the person owing the money it is expected that he shall pay additional interest for the time.

Debenture. This is one of the forms and types of bonds we frequently see offered to investors. Usually

a bond has a mortgage upon the property of the company as security for its payment. But in the case of a debenture bond it is generally nothing more than an obligation of the company which goes ahead of the preferred and common stock and usually is not secured by a mortgage on the company's physical plant or property. Really it is nothing more than the company's note in coupon form and not secured by other than the integrity of the company and its management. Investors should have good advice before investing their funds in debenture bonds.

Deed. In the transfer of real estate the deed takes the place of the bill-of-sale used in the transfer of personal property from one person to another. There are, in general practice, two types of deeds, the quit-claim deed and the warranty deed. In the quit-claim deed the one who sells the property assumes no responsibility for any defects in the title, whereas in the warranty deed the seller guarantees that the property has a clear title. It is unwise for one to purchase property without securing a warranty deed which has been properly certified by a title company of good standing. Unless this is done it will never be possible to borrow money with the property as security. Banks are very particular in this regard.

Deficit. There is an expression that a business has "earned a deficit," which is merely a polite way of saying that the business was operated at a loss — that

it cost more to carry on the business than the business produced.

Dividends. Are divided profits. When a company earns a profit over and above its expenses, after all other obligations are paid it may divide the remainder, or any portion of the remainder, among the stockholders. This division constitutes the dividend of the company. Dividends represent the earning power of the money invested in the company — the money received from bonds is interest, not dividends. When we buy bonds we rent our money to the company issuing the bonds for a certain definite salary; on stock we participate in the profits, if there are any.

Equity. The value of property above the amount of the mortgage constitutes the equity. This is a term not properly understood by many persons and often they under-estimate or over-estimate the amount of equity they hold in property. For instance, a young woman contracts to purchase a piece of real estate for $1,000. She pays $500 on the contract and assumes a mortgage for the other $500. Immediately she will say, and feel, that she has an equity of $500 in the property. This may or may not be true. As a matter of fact her equity amounts to whatever she would have left if she were obliged to sell the property and pay the mortgage. The mortgage comes first. If she has not been wise in her selection of the property and has contracted for it at too high a price her equity will not be so great.

On the other hand, if she is able to sell it for a greater figure than $1,000 her equity will be the difference between $500 and the amount she receives.

Escrow. A banking term meaning the mutual agreement between two persons to place something in the hands of a third person, to be held until certain specified conditions have been fulfilled, whereupon it will be delivered or returned according to the agreement. Property purchased on deferred payments is said to be in escrow when the contract and title are placed in the hands of a bank or trust company until the payments have been completed. This arrangement is a protection to both the buyer and the seller.

Executor or Executrix. The person or corporation named in a will to carry out the desires of the person who made the will in the carrying out of its provisions. Executrix is the feminine. More and more discerning business men are naming trust companies as the executors of their estates. Many advantages for the heirs exist in such a plan.

Fee. In financial parlance this means to have absolute possession of something, such as securities or property, without any mortgage, deferred payments or other kind of encumbrance upon it. As relating to real estate the term used is more often "fee simple," although "to own in fee" is more nearly correct as the first expression relates to the old common law of securing title by inheritance.

Fiduciary. This is another term which comes from the Latin and means trust or confidence. Therefore, it is a term quite popular with trust company officers who seem to enjoy speaking of the estates they are handling as "fiduciary estates." A fiduciary institution is an institution which accepts the affairs of its clients in trust and cares for them in confidence.

First Mortgage Bonds. Briefly, it is a promise to pay borrowed money, made in the form of a bond and secured by a first mortgage on the property.

Fixed Charges. There is a difference between fixed charges and overhead expense, although the two divisions of accounting are often confused. The fixed charges of corporations are generally considered as being the interest on bonds and floating debt, sinking fund, rentals, taxes and insurance.

Foreclosure. To foreclose a mortgage is to take the property and sell it for the purpose of securing payment of the debt for which the mortgage was given as security. Many persons believe that the entire value of the property goes to the holder of the mortgage, but this is not true. After the amount of the debt, plus the foreclosure expenses and other liens, are taken out of the money received from the sale, the remainder must be given to the person who signed the mortgage or to his successors.

Franchise. Public utility corporations, such as electric, gas, water and telephone companies, require

a special permit or privilege to operate and do business. Such a permit is termed a franchise. Usually these franchises are granted by the municipality for a certain number of years. In purchasing bonds of such corporations it is always well to determine that the life of the bond issue does not extend beyond the term of the franchise.

Garnishment (*Garnishee*). If Smith owes Jones money and cannot make collection, Jones can, by legal process, attach any property, wages, or bank account of Smith for the amount of the indebtedness. This process is termed garnishment. The term is not so generally used as formerly, the more expressive term "attachment" now being in greater usage.

Guaranteed Stocks. These are stocks or shares on which some large corporation guarantees the payment of dividends, and sometimes the principal, by reason of the large corporation having assumed legal responsibility for the operation and management of the company issuing the stocks. For instance, where a large railway system makes a lease contract to operate a smaller line or division of railroad, the stocks of the smaller railroad are often guaranteed by the company making the lease. Stocks guaranteed in such manner are a favorite form of investment.

Guardian. The person appointed by a court, or named in a will, to care for the person and property of a minor, an imbecile or other person not capable of

managing his own affairs, is termed the guardian of that incapable person.

Holding Company. Such companies are formed for the purpose of owning stock in other companies, and securing their dividend profits from the handling of the stocks of the other companies. Frequently they exist for the purpose of avoiding the law which would make illegal the consolidation of certain companies. Within the last few years holding companies have come into more or less prominence in the United States. When one buys stock in a holding company he does not buy into the companies in whose stock the holding company operates — instead, he purchases only a share of the general purchases of the holding company and a participation in its profits. Investors will do well to fortify themselves thoroughly as to the personnel of the management of a holding company before placing their funds with it.

Hypothecate. To pledge, and place on deposit as security for a loan, such collateral as stocks, bonds and other valuable things is to hypothecate them — for then they cannot be sold, traded, or otherwise used until the debt has been paid.

Income. In the field of finance the term income is generally used to indicate the amount of money returned yearly from investments. Money secured from salaries, business and the like is usually termed "earnings." However, of late the term is becoming

more and more generally known to apply to all sources of yearly financial accumulations — this has been brought about, no doubt, in a large degree because of the Federal income tax law which groups all earnings under the general term of income.

Indorse. When one writes his name upon the back of a check or other document, either for the purpose of transferring its ownership to another or for guaranteeing the fulfillment of the obligation contained in the document, he is said to indorse it. In the case of bank checks the indorsements of the person to whom the check is made makes it possible for any other person to cash the check. One should never indorse checks until one is ready to present them for deposit or payment. The indorsement upon the back of a stock certificate, or a bond, makes it possible for the transfer of the stock or bond to another person. Such securities should never be indorsed by the owner unless such transfer of ownership is immediately contemplated. An indorsement on the back of a note means that the indorser agrees to stand good for the amount of the loan covered by the note, and he need not be surprised if he is called upon to pay it if the borrower fails in his obligation.

Industrial Securities (*Industrials*). The stocks and bonds issued by manufacturing companies.

Inheritance Tax. A tax imposed by the state or nation on property inherited from another. This tax

is not paid each year, as is the case with other taxes, but is paid at the time the property is received.

Interest. Money, like any other commodity, has a value and payment must be made for its use. Interest may be termed the rental value of money. Interest paid on bonds is the rent for the use of the money borrowed by the corporation which issued the bonds or notes. Dividends on the contrary do not represent the rental value of the money, but the earning power, for dividends are divided profits.

Investment. There is much confusion in many minds concerning the terms "investment" and "speculation." One writer described the difference by saying, "Planting good seed in fertile soil is investment; betting on how many potatoes the seed will produce to a hill is speculation." In investment the safety of the money invested is the first thing to consider, and the second is the amount the investment will earn. Consideration of increase in value of the principal should be the last consideration.

Investment Banker. A man who deals in investments. He buys these investments for himself or his firm, in large amounts, and then sells them to his clients or customers in smaller lots. His principal earnings come from the small difference between the price at which he buys the securities and the price at which he sells them. The difference between an investment banker and a stock broker lies in the fact that the

broker does not buy for himself at any time, but merely sells his services to the buyer for a commission on the transaction.

Irrigation Bonds. The notes given by a municipality or a district in exchange for money borrowed to construct and operate a water supply for the purpose of irrigating land. Investors will do well to consult reputable investment bankers before placing their funds in irrigation bonds, as there are many conditions governing their desirability.

Junior Bonds. Sometimes corporations, for purposes of expansion or other reasons, will find it necessary to borrow money from time to time. Bond issues are made for this purpose. Because bond issues are usually secured by mortgages on the property of the company, some of these bond issues will be secondary in value to another issue, so if the property were foreclosed the junior bonds could not be paid until the others had been discharged.

Legal Holidays. Any day other than Sunday which, from the standpoint of business, is the same in the eyes of the law as Sunday is considered a legal holiday. Therefore, banks, business organizations, and all public offices are closed on such days. In many states debts which fall due on a legal holiday become due the day following, while in others payment is due the day before.

Legal Investments for Savings Banks. This is a

phrase one often sees on the literature and advertisements relating to bonds. The laws of the majority of states most emphatically state the kind of investment securities into which savings banks may place the money of their depositors. These laws are for the protection of the depositors, and the investments which are legal for savings banks must comply with the conditions set forth in the laws of the respective states. All other surface indications being equal, of two bonds offered an investor, the one legal for savings banks would be the more desirable from the standpoint of safety.

Liabilities. Anything owed is a liability, because one is liable to the payment of the debt before he can consider his remaining property as wholly his own. In corporations, the capital stock, accounts payable, funded and floating indebtedness, surplus, losses, etc., are all classified as liabilities in the financial statements, because these are things which must be cleared away before a fair division of the property or its earnings could be made among the stockholders.

Lien. A claim against property. Refer back to the definition of "building mortgage."

Listed Securities. Stocks or bonds listed on the New York or other stock exchanges. Stock exchanges have certain rules which must be met before a security will be listed on the board. While listed securities may not be better than some that are not listed, yet there are

several factors in favor of the average investor confining his operations to listed securities. First of all, the mere fact of listing assures that there may be a greater element of publicity attaching to the operations of the company which has issued the securities, because of the rules of the exchange, and second, one can always quickly determine the market price of the security by turning to the financial pages of the daily newspaper, where reports of the day's stock exchange transactions are published. On the other hand, an unlisted security is worth just what one can get for it, and he cannot always be assured that there will be a definite market or a definite price.

Maker. This term refers to notes, checks, contracts, mortgages and the like. The person or persons who sign the papers, thereby guaranteeing the fulfillment of the promises made in the instruments, are known as the makers.

Margin. To buy stocks, through a stock brokerage house, paying but a portion of the entire purchase price to the broker, who purchases the stock outright and holds it in his own name. For the unpaid balance the broker charges the customer a certain interest in addition to the brokerage commission for buying. If the stock goes up in price, the purchaser is able to sell out at a gain, but if the trend is downward instead, the "margin," or amount paid, may be wiped out and the broker sells the stock. Buying on margin is one of the features

of stock speculation and requires not only a good knowledge of the financial and stock markets, but a large capital, to assure success. It is something the average investor has no business playing with until the problems of successful home financing have all been solved.

Market (*at the market*). This expression is becoming more and more general among all phases of financial activity, and is used to describe a variety of conditions, but, as relating to stocks and bonds, it has reference to the price at which one can buy or sell the security at that particular moment, as is evidenced by the prices shown in the trading of the security in the stock exchange.

Non-Assessable. Some stocks, according to the state in which the corporation is chartered, cannot have assessments levied against them in the case of failure of the corporation. However, if a company goes bankrupt, it may often be necessary that the stockholders make cash contributions to put the company on its feet again for the purpose of protecting the money already invested from loss.

Non-Taxable. Investments not subject to taxation are said to be non-taxable, but in this one should acquaint himself with the laws concerning " untaxable " securities in the state in which he lives.

Note. A written or printed promise to pay a certain sum of money at a definite time, with or without interest as may be indicated, and signed by the hand of its

maker or an authorized official of the maker when the maker is a corporation.

Par. The face value of a security, regardless of the market price.

Point. When a security of $100 par value rises a point in price on the market, it has gone up 1 per cent. In the cotton and coffee market a point is 1-100 of a cent — so, if the price of cotton went up ½ a cent a pound, the rise would be 50 points.

Pool. A group of persons who join forces on the stock market for the purpose of forcing the price of a certain stock down or up as they may decide.

Preferred Stock. That part of the capital stock of a corporation which will draw dividends before any are paid upon the common stock. But the interest on bonds and the floating debt of the company has to be paid before dividends may go to holders of the preferred stock.

Premium. If the par value of a stock is $100, but the stock is so desirable to investors that the market is $105 a share, then the stock is selling at a premium of $5 — the difference between the par value and the market.

Principal. The face value of a security, regardless of interest, or price, or premium.

Prospectus. The plan and purpose of a corporation offering its securities to the public presented in printed

form. Primarily they are intended to extract money from the pockets and bank accounts of potential investors. In this they too often serve their purpose to the detriment of thousands of persons each year. Never buy a stock or a bond from the description given in the prospectus alone — get some dependable advice from a well informed and disinterested person.

Proxy. Authority given by one stockholder in a company to another stockholder in the same company to exercise the power of his vote at the meeting of the stockholders. Stockholders should give careful thought to the granting of their proxy to another person.

Public Utilities. The public service corporations, such as water companies, telephone, telegraph, gas, electric light, street railway, are known as public utilities. The securities of these corporations are more familiarly spoken of merely as "utilities."

Rails. The securities of railroad companies.

Real Property. This constitutes not only the land and the buildings upon it, but the minerals below the surface, the crops, trees, and the air above. Also the right to use land for certain specific purposes, such as the right-of-way of a railroad, comes under this term.

Resources. Everything owned by a person or corporation, or anything which may be owing to him, are the resources.

Speculation. A word much abused because the practice of speculation is abused. To speculate truly

is to make a calculation as to the future turn of events and then to make a venture based upon that calculation. When one ventures without calculation the process is nothing more nor less than gambling. The true speculator is a distinct factor in the development of the country, because he tries to look ahead, determine the direction of business, and then ventures his financial strength upon the rightness of his vision. From this one can readily see that successful speculation requires much more than a mere hazarding of one's money into a stock, or other offered " investment."

Stock Dividend. When a company, instead of paying its profits to stockholders in cash, issues additional stock to them for the amount they would ordinarily receive in cash, and retains the cash for the expansion of the business, it has issued a stock dividend.

Stock Exchange. A meeting place where stock brokers and dealers meet for the purpose of buying and selling stocks.

Torrens Title. A system of real estate transfer devised by a customs official in Australia, which is in general use there, and has found favor in 14 states of this country. The plan contemplates registration of all land and the ownership transferred in somewhat the same manner as shares of stock.

Trust Deed. A transfer of the title of property to some person or corporation to be held in trust for

others. The trust deed is utilized quite generally in the sale of real estate upon the deferred payment contract plan, whereby the seller of the property transfers the title to such an organization as a trust company or a bank, to be held in trust until the payments have been completed, whereupon the title is then transferred to the purchaser.

Trustee. A person or organization acting in the common interest of both the borrower and lender of money. Thus, when a corporation desires to borrow money by means of a bond issue, the mortgage on the property which is given for security against the bonds is placed in the hands of a trustee — usually a bank or trust company. Under certain conditions it is the duty of the trustee to take possession of the property and act for the benefit of the bondholders according to the terms of the contract under which the loan was made.

Warrant. Briefly, a warrant is an order by some authorized official of a municipality upon the treasurer for payment of an improvement made or service rendered. The treasurer, not having the funds with which to pay it, indorses it upon its back and indicates the rate of interest it will draw until paid. After registration it then becomes one of liabilities of the municipality and must be provided for in the tax levy of the municipality.

These, in general, constitute the financial terms with which every one should be familiar, because they all enter, in some form, into the successful financing of the home.

Chapter Two

BUDGETS AND SYSTEMS

WHEN an architect is consulted about the designing of a house, the first thing he wants to know is the amount which the builder can afford to spend for the house or wants to spend. He has to know his limitations in the matter of expenditure before he can go ahead with his plans. Given this figure, he then applies his knowledge and skill to design the most suitable, desirable and substantial house which can be erected within that cost.

The skilled surgeon, when called upon to perform an operation, inquires first of all as to the physical condition of the person upon whom he is to operate. Of his own skill and technique he is sure, but he must know what he has to work on — how much the patient can assist in the recovery, how much strength he has to draw upon, whether the heart is sufficiently strong to withstand the shock of the anesthesia and the operation. Given this information he is able to utilize his skill and technique to advantage.

So in the matter of successful financing of the home. The fundamental fact we must first have is, "What will we have to start with?"

To find this fact we must budget our expenditure

against our income. We know our income. The first thing we must learn is to utilize that income to its maximum efficiency, learn to buy to the greatest advantage, so that the supplying of our necessities may fall well within our earnings, and still leave a surplus for the expansion and growth of the business in which we are engaged — the business of building a home and home life of which we can be proud.

To build a successful budget, whether it be for the financing of the home, for the operation of a business, the management of a city or the conduct of a government, facts must be faced. As we have seen, the foundation of any plan is a knowledge of the facts upon which that plan and its execution depend.

To face facts requires courage. Generally speaking, we fear to face facts, because we fear that the exposition of those facts will not be pleasant, or that in facing them we shall be forced by our inherent common sense to change our mode of life and activities.

Fear is the greatest enemy of thrift, happiness, comfort and successful homes with which we as a people are confronted.

Fear is responsible for the fact that 15 per cent. of our people have to carry the old-age burdens of the 85 per cent. who are dependent upon relatives or charity after they reach the age of 60.

And the fear that is responsible for this unbalanced condition is such a silly, simple, futile fear. It is the fear of "What will people say?"

Generally speaking, the American people are an industrious race. Most of us are workers. We are workers and doers. We take pride in being workers because it has come to be recognized in this land of liberty that only the worker is entitled to the respect of his fellowmen.

This faculty for work and its enjoyment brings its monetary return. Generally speaking, those of us blessed with health and the command of our faculties earn more than is necessary to supply us with adequate food, clothing and shelter in keeping with our positions in the economic scale.

Then comes fear to turn all our calculations awry. The fear makes us spend more than is necessary to meet our requirements. We want to shine before our fellows just a little brighter than we are entitled to shine — so we enter into extravagances, not for the pleasure which those extravagances will bring us, but because we think they will assist us in making a little better show — perhaps make others think we are just a little more prosperous than is actually the case.

It is truly said that the exciting game of "keeping up with the Joneses" — of trying to put on as good a front as our next door neighbor, has shortened more lives and darkened more homes than any dread plague which has ever befallen a country.

The first fact we must face, in this budgeting and planning upon which we are about to engage, is that we shall not spend more than we earn. If our actual

necessities cost us more than our income, then we have two courses open to us; we must either increase our income — earn more — or else readjust our expenditures and expenses so they will fall well within the amount we actually produce.

To determine which of these courses is neccessary is the real first purpose of the budget.

The easiest way in which a fact can be faced is to reduce that fact to cold figures — to place it with black ink on white paper and look it squarely in the eye.

Most of us will discover that a general looseness exists in our spending. If we were, as a rule, as good spenders as we are good earners, this waste would not obtain. We work hard, either with our hands or our brains, to acquire a good salary check and then utilize but a small portion of our commonsense in the spending of the money after it has been earned and come into our possession.

The only way in which this laxity can be overcome is, as we have noted, by keeping a record of our expenditures over a given period of time and then carefully considering those items with the thought of trimming them where it will least hurt.

It is not necessary that one keep such a record for an entire year before starting upon the readjusted budget which will assure of an ever-growing surplus. Some of us can make an excellent checking in a week, others will require a month, and some will require longer periods. But the main thing is to get started.

How shall we analyze the items? Well, let us see how one young man did the trick. Here is what he says in connection with some of them.

"After keeping a careful record of my expense the next step was to find out what the figures meant. Here is the way mine worked out:

"The rent can't be helped, but the fuel bill may be cut down. My hard coal is 25 per cent. slate, and coke ought to make a saving. I can also stock up in summer at lower prices and save some money. The gas bill looks reasonable, but we could save a few dollars by turning off electric lights not in use. The water item of $6.80 represents at least $2 worth of carelessness. The house phone is $2.25 a month but the toll bill is more. We could save on toll calls.

"The food bills show a lot of variation, although we live as well one month as another. A few meals downtown cost as much as our food bill for two weeks. It's a diversion for the Mrs., but will have to be cut down. I'd rather do that than have her do the washing or dismiss the scrub woman! Personally, I'd a darn sight sooner eat at home.

"Entertainment can be pared down and pare down we must.

"And so it goes down the line! The carfare and taxi item is high, but half of it is for railroad commutation. Not owning a car, I thought I could indulge in taxicabs. Guess it won't hurt me to do more walking."

Saving and thrift do not mean stinting ourselves. They mean, instead, that we shall use good judgment in our buying. Nothing is a bargain, regardless of the price, if the article will not, or does not, render us a comfort and service commensurate with its cost.

To many of us the process of making a budget or keeping a budget as it is often called, seems to be a complicated and mysterious process. But this is not necessarily true.

Expressed in its most simple terms, budgeting is merely estimating ahead, as closely as one can, how he desires to spend his income, and then making an honest endeavor to make his expenses keep within his estimates.

So then, the first thing to do in building a budget, after one has kept a record of expenses long enough to analyze them, is to determine how much, or what percentage of his income, he shall set aside for certain things.

First, one has to consider the necessary things and allow for them.

Generally, the necessary things, the necessities, are considered as being shelter, food and clothing. But there is one thing even more necessary than these — consideration of the future and the emergencies likely to arise which will cause an urgent and immediate demand for reserve funds if one does not wish to become an object of charity or become saddled with debt.

First of all, in the making of our budget, we will

find it to advantage to decide how much of our earnings we want to try to save for this emergency fund. If we will consider this item first, and then divide the remaining portion of our income between the other items of necessity, we will find the matter of saving much easier than when we put the saving item last.

Not long ago a young woman came in to see the writer for the purpose of getting some information relating to saving. She said it was absolutely impossible to save anything from her weekly pay check.

So I asked her how much she wanted to save. She said she didn't know exactly, but wanted to save whatever she could. That was just the trouble — she didn't have a definite objective.

Finally, the young woman said she thought it would be nice if she could save as much as $10 a month as a starter. We then started doing some new figuring — only we did our figuring on the basis that her monthly salary was $10 less than was actually the case. When our job became the stretching of her smaller income over her expenses, we had something definite to go upon — and the surprising thing was that we not only succeeded in doing the stretching to cover the expense, but we actually had a little left to add to the savings account. The young woman is now adding $18 to her savings fund each month, and soon hopes to have the monthly deposits total $25.

Budgeting is merely a matter of honest estimating and careful spending.

To outline a budget, or a proportionate division of income, which will fit all cases is not possible. Each family has its own individual problems with which to deal, and as a consequence must fit its estimates to the peculiar conditions of the case.

However, there are some certain fundamental divisions which can be made, as well as figures which have been compiled as averages from a large number of cases, and these will often serve as excellent guides to tell us whether or not we are doing our spending to the best advantage.

Generally speaking we can compile our estimates — our budgets — under six heads. They are savings, shelter, food, clothing, operating and advancement.

Savings will include, not only the money we put in the bank each payday, but other items which are making for future independence, such as investments, life insurance, or any form of payments which will cause the money to work for us and produce more money.

Under the item of shelter will be included such things as rent or payments on the home, interest on the mortgage, taxes, fire insurance, repairs and upkeep of property in which we are living.

Food will sub-divide itself into the classifications of meat and fish, groceries, milk, butter, eggs, bread, fruits and vegetables, lunches and meals taken outside of the home.

Clothing considers new clothes, repairing and pressing, and remodeling.

The division of operating will take care of such things as heat, light and fuel, newspapers, telephone, stationery, laundry, car fares, automobile expense, tobacco and the like.

For advancement we have the items of education, church, charity, books and magazines, lectures, vacations, clubs and dues, gifts, medical, dental, drugs, entertaining, income tax and such other things.

The average family income ranges from $100 to $300 per month. The division of allowance for the seven general divisions, compiled from an average of many budgets by authoritative sources, is estimated about as follows:

At a salary of $100 per month the average family of two persons is safe in estimating that $10 to $12 should be set aside for savings each month. The item of shelter should not exceed $25 to $30 per month. Food costs can be covered with from $28 to $30. Clothing should not average more each month than from $15 to $20. Operating costs should fall within $8 to $10 on a monthly average. Advancement can be held within from $5 to $7.

A family of two with a salary of $150 per month will find the following figures a fair guide for estimating: Savings, $25; shelter, $35 to $40; food, $35 to $40; clothes, $23 to $30; operating, $10 to $12; advancement, $10 to $15.

At a salary of $200 per month these figures may be used in estimating: Savings, $50; shelter, $40 to $55;

food, $35 to $47; clothes, $27 to $35; operating, $16 to $20; advancement, $15 to $20.

When the salary reaches $300 per month the little family of two, according to the averages, can well apportion their income in this manner: Savings, $55 to $65; shelter, $45 to $70; food, $45 to $60; clothes, $40 to $45; operating, $50 to $60; advancement, $25 to $40.

It would seem that a family of two persons might live just as cheaply while earning a salary of $300 per month as when earning $150 or $200, but this is not true.

Earnings increase only as responsibility increases, and with a recognition of one's ability to handle greater responsibilities comes a growth in one's social obligations.

The foregoing average estimates take these added obligations into consideration and allow for additional increase in expense to meet the advanced standard of living which comes with added social position.

The beautiful thing about operating on a budget system is that bills and emergencies never catch one unprepared to meet them. It is the one sure way of living free from burdensome debts — and the only prosperous business is the one free from debts and showing a profit.

For a family of three persons the allotments suggested for the general divisions are as follows:

At a salary of $100 per month: Savings, $3 to $8;

shelter, $25 to $35; food, $32; clothes, $15 to $20; operation, $8 to $10; advancement, $5 to $7.

At a salary of $150 per month: Savings, $20; shelter, $35 to $42; food, $35 to $42; clothes, $24 to $35; operation, $10 to $12; advancement, $10 to $15.

At a salary of $200 per month: Savings, $40; shelter, $40 to $55; food, $45 to $50; clothes, $30 to $35; operation, $16 to $25; advancement, $15.

At a salary of $300 per month: Savings, $50 to $65; shelter, $45 to $70; food, $50 to $62; clothes, $43 to $50; operation, $50 to $60; advancement, $25 to $45.

When the family consists of four persons the allotment or estimating naturally has some changes, and a fair average division is as follows:

At a salary of $100 per month: Savings, $1 to $2; shelter, $28 to $35; food, $34 to $35; clothes, $15 to $20; operations, $8 to $10; advancement, $5 to $7.

At a salary of $150 per month: Savings, $10 to $15; shelter, $35 to $42; food, $40 to $45; clothes, $26 to $40; operation, $12 to $12.50; advancement, $10 to $12.50.

At a salary of $200 per month: Savings, $25 to $30; shelter, $40 to $60; food, $50 to $52; clothes, $32 to $40; operation, $16 to $25; advancement, $15.

At a salary of $300 per month: Savings, $40 to $45; shelter, $45 to $70; food, $55 to $64; clothes, $50 to $55; operation, $50 to $60; advancement, $25 to $45.

In discussing these budget allotments with a number of persons I have frequently had pointed out to me

that the divisions were not possible to maintain in this day of congested population and high rentals. A young couple having a gross income of $200 per month tell me, in no uncertain language, that a rent, or shelter allowance of $40 is not even worthy of serious consideration in these days — that the very best they can do in the way of a small apartment fit to live in is $75 per month.

This is all very true, but if one is going to spend to excess in one division then the amount of that excess must be shaved from some other place — and if the item of rent cannot be kept within the possible estimate, then it may be well to revise one's ideas of the sort of a place which is livable, as well as the location in which one makes residence. The young couple, to whom I refer, maintain a car — with an additional rental charge for garage. With this means of transportation available other livable places quite within the proper rental balance might be found further away from the bright lights, where the air is better, and the only cost would be a little earlier rising in the morning to allow for the drive into town and to work.

But it is quite true that no budget balance will work out if one has to keep a nose to the grindstone in the eternal scramble of "keeping up with the Joneses."

In a housewife's budget guide, published by the woman's department of the Bank of Italy (California) — and from which some of the estimates included in the foregoing budgets have been taken — the following

is the "pattern for spending" suggested to the business woman:

At a salary of $100 per month: Savings $10, board and room $45, carfare $3, lunches $12, clothing $20, advancement $10.

At a salary of $120 per month: Savings $20, board and room $50, carfare $3, lunches $12, clothing $20, advancement $15.

At a salary of $150 per month: Savings $30, board and room $55, carfare $5, lunches $15, clothing $25, advancement $20.

At a salary of $200 per month: Savings $60, board and room $60, carfare $5, lunches $15, clothing $30, advancement $30.

Many young business women, who glance at the figures given, will turn up their noses in a haughty sniff, and inform the wide, wide world that it just can't be done.

In this connection I have in mind one young woman earning $30 per week, who endeavors to maintain a $65 apartment, and at the same time has obligated herself to purchase a $370 piano on the instalment plan which she is too tired to play when she gets home from the office.

Not only is a system of budgeting the proper way in which to carry on after the home has been established, but it can be used to distinct advantage by the young couple in planning for the home into which they step at the outset of married life.

Helen Goodrich Buttrick, in the Journal of Home Economics, says:

"There are several schemes for budgeting the expenditures for house furnishings. One is to think of the house as divided into three areas devoted respectively to work, sleeping, and living, and to apportion the money among these.

The work area would include, for example, kitchen, pantry, laundry; the sleeping area, bedrooms and bath; and the living area, the parts of the house where the family spends its waking time. The dining room is sometimes included in the living area and sometimes in the work area. The proportionate amount set aside to furnish each group of rooms depends on the size and elaborateness of the new home, whether or not the homemaker has assistance with her household tasks, whether she works outside the home, and how much entertaining is to be done.

"If the dining room and table equipment are included in the working area and the wife's time and energy must be conserved by expensive labor-saving devices, almost twice as much money should be set aside for the furnishing of this part of the house as will be required for the living rooms. In such a case the proportion might well be: Living area, 2 parts; sleeping area, 3 parts; working area, 4 parts. On the other hand, if the family is musical and a piano is a necessary part of the equipment, the amount spent upon the living area will be greatly increased.

"No definite proportion can be given, because the requirements of each home differ with the individuals who have founded it. At the start it sometimes helps to divide the total amount to be spent into three equal parts, one for each area, and list the absolutely necessary articles for each area and subtract the cost of each list from the allotted third. Then the desirable articles for each area may be listed and the appropriated balances from the three allotments shifted about until the apportionment is found which seems to promise the best returns.

"Sometimes, if the sum available is small and the needs to be met are many and varied, it is necessary to do much preliminary shopping for prices and to give many hours to careful calculation. Time and effort so spent are well invested and often prevent the purchaser from being swept beyond her purchasing power into deep financial embarrassment by skilful and unscrupulous salespeople. 'Necessary things first' should be the slogan of the inexperienced when equipping a home.

"One of the greatest needs of the woman who is about to set up housekeeping is a store of accurate, complete information about all sorts of household equipment and furniture."

So, we see that even before we can enter into the actual founding of the home from which we expect to derive so much comfort and happiness, it is necessary that we become financiers to a degree — for to finance a company is to raise the money necessary for its

needs. It is all very well to launch forth upon the sea of matrimony with a wealth of love and affection, plenty of hopes and prospects, good health, and a determination to become recognized in the world of affairs, but it takes cold, hard dollars, to put any institution on its feet — and the home is no exception to this rule. Careful planning in the beginning — even though that careful planning may mean postponement of the start — will mean a much more seaworthy craft when it is launched.

Commonsense buying is really the keynote to thrift — just as thrift is the fundamental for the building up of the "nest egg" we are so certain to need in the establishment of a home.

Chapter Three

RESPONSIBILITIES OF HOME "PARTNERS"

THE man or woman who contemplates the formation and organization of a home has some very definite responsibilities confronting him or her. This is true of the partners in the business of home-making just as much as it is true in the case of persons contemplating a partnership for commercial business reasons.

It is not enough, in business, to have the capital to engage in the business and a desire to form the partnership. The partners must also have a plan upon which to work that will assure of the business growing along prosperous lines — and the business is much more likely to be a success where the plan has been worked out in thorough completeness before the business is started.

The making of a budget is not only the perfection of such a working plan, but it is, also, a clear indicator of the responsibilities one must face in this business of home building and operation. It is the guidepost that points the way to the objective for which the family is striving. It is much easier to get somewhere when one knows where he wants to go and the sort of traveling he is likely to have. The budget does these

things — it points the way, it tells whether the road is an uphill one, it smooths out the bumps by preparing for them before they are reached, it gives one a goal toward which to work — and — here's a friendly little tip — to tell an importuning salesman that one is operating on a budget and that the budget will not permit his particular extravagance is the one best possible answer to have on tap as a guard against unwise spending. It provides not only an unanswerable argument against needless spending, but it also helps "save one's face" against the blandishments of the suave sales person.

The establishment of a thrift fund is a desirable thing. More than that, it is a very necessary thing. It is one of the responsibilities a man takes upon his shoulders in the establishment of a home.

In what manner is it a responsibility? Why is it necessary? Why should a man give it thought in considering the establishment of a home?

There are many reasons which will readily occur to any person who gives the subject a little careful thought, but let us consider just a few:

One of the first reasons which will occur to any thoughtful-minded person is that thrift is a sure means of financing for retirement — for a condition of independence when one has passed the age of production. None of us looks forward to an old age of penury and want. We do not like to think of being dependent upon others for our living when we are old and feeble.

Unless we can tie the future to the present by creating a surplus during our years of activity and production, we cannot hope for the desirable old age period of which we so fondly dream.

Into every life come emergencies. Emergencies cost money. If they are not to result in the accumulation of debt, under which we shall struggle for many a long day afterward, we must do a little financing in advance to meet these emergencies when they do befall us. Sickness, accident, fire — any one of the sudden, unexpected hazards to which we are all liable, must be taken into consideration.

This consideration is one of the responsibilities assumed by a man when he starts upon the home making program. The extent of his ability to recognize and meet responsibilities may well be measured by the thoroughness with which he has financed for emergencies before they happen.

For ourselves and for our children we have the desire that the advantages of education and travel may come to us. Both education and travel cost money. These are things which should be financed in advance — things which make the establishment of a thrift fund a necessary obligation of the home maker.

The home itself is another obligation requiring financing. Payments on the home require financing — advance financing, for how shall one ever meet such payments when they become due unless plans shall have been made to have the money available? The

payments are hard to meet only when one works without a definite thrift program.

Most workers have the feeling that some day, somewhere, they will engage in some sort of a business of their own. This requires financing; from our present earnings we must create a surplus upon which that business of our dreams can be founded.

Financing against loss in business is another of the obligations of the home maker.

If he be in business for himself he must do a little advance planning to guard against the possible day when his business does not earn the present return, or if he be a wage earner, he must insure himself and his family against want and privation during periods of unemployment, or a slump in the general business conditions which might curtail his present earning capacity and power.

While we must recognize that a dependable index of wellbeing is not a person's gross income alone, but really his net income — the amount saved at the end of a year after paying living expenses — we must realize that saving is not the primal end of effort.

Aristotle's golden mean should be followed. "Excessive thrift is as bad as improvidence, for it means saving everything for a to-morrow which will never come."

The American Bankers Association has divided men into three classes — parsimonious, thrifty, and extravagant. In typical manner the bankers reduce these men

— or rather their spending — to a basis of percentages:

The parsimonious man, according to their calculations, divides his income into the following proportions: Savings, 60 per cent.; living expenses, 37 per cent.; education, 1 per cent.; recreation, 1 per cent.; charity, 1 per cent.

The extravagant man, on the contrary, spends his money in this manner: Savings, nothing; living expenses, 58 per cent.; education, 1 per cent.; recreation, 40 per cent.; charity, 1 per cent.

Thriftiness, they maintain, shows the following balance in spending: Savings, 20 per cent.; living expenses, 50 per cent.; education, recreation and charity, each 10 per cent.

Thrift is a most desirable faculty to develop, but the accumulation of money, even for the sake of future independence, should be secondary to the larger problem of living well and usefully.

There is a real danger in thrift carried to excess. The father who so enjoys the thrill of watching his pile of dollars accumulate that he loses sight of the advantages of ample education for his children — or perhaps carries it to the extreme, which keeps sufficient nourishment or an attractive home from his family — is not a thrifty individual and merits no respect for his net yearly savings.

The individual who denies himself good books, recreation, travel, if his means permit, merely for the

purpose of accumulating money the faster, is not the most desirable type of citizen.

In our quest for financial independence we must not lose sight of the true meaning of money — we must recognize it always merely as purchasing power, and the true use of money is lost to the person who becomes possessed of the miserly trait of hoarding.

Thrift and stinginess are not the same.

A true understanding of the difference in meaning of these two words is one of the primal responsibilities of those undertaking, or already engaged in the business of home making. The first consideration of the home shall be that it is a pleasant place to be. The understanding of the difference will serve greatly in making this consideration a continuance of actuality; for where stinginess exists there is but little pleasure in the home — and where some measure of thrift does not exist happiness cannot make its home because it is crowded out by the many petty cares and worries entailed by extravagance and debt.

To the man of the home, by reason of the fact that he is generally the producer of the operating funds, comes the responsibility of first and thoroughly recognizing the fact that the success or failure of any business lies with the management — and that successful management rests upon well organized planning.

Systematic spending is the plan for the successful home.

Before we can plan a budget or build a home we must be producers. We cannot save unless we can earn. The pattern of our budget, or the magnitude and the beauty of the home, depend directly upon the extent of our production and our earnings.

Therefore, we must recognize, as one of our foremost responsibilities, the necessity for so using our time and energy as to make that production in proportion to our ability.

Sometimes it takes much courage to sever one's connection from the weekly pay check, even though the work be distasteful. But such courage once exercised, however, will pay large dividends, providing we get a true measure of ourselves and go to work upon a job into which we fit. How shall we know we fit? That's easy; when we're working on a job that gives us pleasure. The man who can sing at his work usually has a happy home and a substantial thrift fund.

One of the largest employers of labor in the United States, when questioned as to the determining factor of the size of a man's salary, said, "A man's salary is determined by the amount of supervision he requires. If he requires much supervision he must join with others in paying the salary of his supervisor and as a consequence his own salary will be low. If he requires but little supervision his salary will be larger — and if he possesses the ability to supervise others he enters the class of executives and is entitled to the pay which comes from such position."

The worker requiring the least supervision is the one doing the work for which he is best fitted and who does that work because he likes to do it.

Workers, home makers, might well take a tip from the employer and make equally sure that the work is suited to them before engaging in it. This thought is presented particularly to the young man just going into the business world.

For the young man — the young man who sometimes hopes to have a home of his own — we would leave the thought that the size of the first pay check is of much less importance than the future possibilities of the first job.

When the average young man first commences to seriously consider the desirability of a home of his own, his main capital consists of a sound body and mind and an unbounded faith in his ability to succeed. With such a foundation upon which to build he is fully justified in assuming such obligations as his native good sense tells him he can fulfill.

This would all be very well if the young man could be assured that his body and mind would stay sound and well, and that his daily earnings would regularly reach the maximum of his producing capacity. But, unfortunately, none of us is gifted with the power of definitely seeing into the future. Certain hazards of health and well-being are always with us. There may come times when the body or mind is not able to carry on with its accustomed efficiency. Accident or illness

may overtake the young man and temporary or permanent cessation of earnings will ensue.

But obligations have the unfortunate characteristic of continuing to be obligations until they are completely paid off, regardless of the regularity of earnings of those who incur them.

The executive head of a business institution always plans for ways to tide the business over times of stress or hardship. In some manner, if he be an efficient executive, he will provide ways and means whereby the firm may meet its payroll and discount its bills, even though there may be a temporary lull in its business volume.

The man of the family — of the home — is generally the executive head of that business institution, and as such he should plan to throw as many safeguards about his organization as does the business man about the house.

Insurance is the answer to this financing problem of the potential home-maker. He need never worry about the burden of obligations falling upon an unprotected family if he will assume proper insurance protection as among the fundamentals in his spending pattern.

First of all he will find it greatly to his advantage to buy life insurance in an amount sufficient to discharge all the obligations of his home purchase and operation. Then, if he is removed before the home has been completely rid of debt, the money will be immediately available to remove this burden from those

he leaves behind. Next in his list of necessary first purchases will be health and accident insurance. These should be of a kind and amount which will assure of meeting obligations as well as regular operating expenses during such time as he may be shut off from his normal earning power.

One will do well to select the insurance company with whom one does business on the same basis that one would select an investment broker. Deal with a company having a reputation for integrity and prompt payment of claims against it — and which has a well-earned reputation for selling to the individual that form of insurance best suited to the needs of the particular individual.

From all this it will be seen that the man, as fiscal executive of the home-making firm, has many obligations and responsibilities.

But the woman, what of her in this relation? What is her position in the scheme of things as relating to the successful financing of the home? It would appear that the wearers of the little golden band are also responsible — and their responsibility is largely that of management.

You, who have felt the symbol of unity fit snugly into its place upon your hand, recall the day when you first wore it. Did it not bring a sense of peace and security? Did it not conjure in your brain many visions of the life to follow, safely protected by the one you had chosen for mate? Did you not, also, feel

it to be the realization of a dream and the starting point upon a long voyage of happiness in the realm of home? Surely you did!

The golden band is the seal on the agreement contract of partnership. It is a symbol which means that the giver and the wearer have established a firm for carrying on, successfully, the business of life — that, as in all real partnerships, they are united to withstand all competition from outside sources — that each partner is responsible for the acts of the other — that all effort shall be for the progress of the firm.

It is my good fortune to be well acquainted with a wonderful woman — a woman who has lived a most successful home life, a mother of well established children, who navigated the matrimonial craft with the same husband for more than 35 years and never once piled the ship upon a shoal.

The greatest handicap to successful home management, says my fine friend, is stinginess on the part of the wife. She says this stinginess is also the most expensive luxury in which most wives indulge — the stinginess of service.

Nothing is cheap, nor economical, that does not give the greatest measure of service, satisfaction and comfort, is her slogan.

Then, she advises, the next feature of stinginess which has a hold-back effect upon the home and family development, is stinginess in the use of the things with

which one has to do. To serve foodstuffs in the most attractive manner possible, regardless of whether the amount be much or little, is the first duty of the wife. Clean table linen, a well-appointed table, and a cheery atmosphere around the home board, will make the scantiest of meals take on the flavor of an expensive banquet.

The next stinginess my friend deplores is the stinginess some wives — many wives — display in the matter of personal appearance in the home. This is the sort of stinginess which proves a real expense, because it costs the respect and admiration of the husband and family.

"What is your rule for managing husbands?" I asked my good friend.

"Faith," she replied. "That one word sums up all the rules anyone can devise for managing husbands. There isn't anything else in the world that works as well. But it isn't enough that a wife have faith in her husband — he's got to know she has it, but she has to let him know it in other ways than just by telling him so in words.

"Have faith in his ability to do things — and let him know, somehow, that you do believe in him — and he'll just naturally do his very best to live up to the reputation you give him.

"I could check off on my fingers at least half a dozen men who might have been big successes if their wives hadn't kept continually reminding them that

they didn't amount to much, and kept comparing them with the husbands of their friends.

"I'm not a bit afraid to say that 90 per cent. of the blame for a husband's failure ought to be charged up against his wife — if she believed in him strong enough he'd have to measure up to her belief; he couldn't help it.

"Managing husbands isn't any trick at all — providing the wife gets started off on the right track, But if she switches off in the beginning to a selfish, whining attitude, and doesn't get her husband sold on the idea that she thinks him capable of doing just as fine and just as great work as any other man, she's apt to wake up one fine day and discover that he isn't quite so much interested in what she thinks about him as he once was. And mostly, by the time she makes the discovery it will be too late to get him back under her control again.

"But there's one other angle about managing husbands that the wife shouldn't overlook. She shouldn't expect him to be any better a husband than she is a wife.

"I'm not the least mite surprised at the way these home partnerships break up, nor at the number of separations we read about every day. The wonder to me is that there are not more of them. Trouble is that so many of the young folks jump into getting married without any kind of a plan as to what they're going to do or how they're going to get along.

"They don't have any special place in mind they want to get to, and as a consequence they don't get anywhere except on the outs with each other.

"Then, too, so many of the youngsters want to start in, nowadays, at the point where their parents left off.

"And another thing. There isn't half the fun in starting off with everything at hand as there is in starting out in a small way and adding a little here and a little there as it can be afforded.

"Young folks ought to have some sort of an idea, before they start, as to what kind of a home they want to make, and then do a little figuring as to the best way to get that kind of a home.

"If they'll try to look ahead a little, taking into consideration how much money they're going to have to spend, and how they can spend it so's to make it go the furthest, they're not likely to have many arguments about money — and I want to tell you, without mincing words, that there isn't much happiness or progress in any family where arguments on the money question happen very often."

All good managers are good buyers. The woman is, to a very large degree, the buying manager of the business institution known as the home. It is her obligation to reduce that buying as nearly to a science as is possible.

The Journal of Home Economics, in an article entitled "With the Market Basket Go Responsibilities," gives a few suggestions which may be augmented and

supplemented by the individual housewife, concerning ways in which buying for the home may be efficiently and economically accomplished:

"The first problem that the woman with the market basket encounters is one of price. She makes the greater part of her expenditures in the grocery store and in the meat market and for this reason needs to have a knowledge of prices. Armed with this information she is in a position to know whether her dealer is overcharging her.

"While a knowledge of prices is important, it is just as important for the homemaker to know when farm products are most abundant. She will find the greatest economies coming from buying products and foods that are in season.

"Avoid rush hours. By buying at hours other than those when clerks are rushed better service can be had.

"Have a market list: the preparation of a market list at home will save a good deal of the purchaser's and clerk's time at the store. Items on such a list can be read to the clerk or the list may be handed over to him for filling.

"Many women have the grocer's or the butcher's boy call for their orders at a regular time. When orders are not ready at the specified time it delays and hampers the merchants in serving others. This lost time is expense and adds to the cost of the goods.

"Minimize delivery service: the costs of retailing are high because purchasers demand many kinds of

services. In brief: more services, higher costs, higher prices.

"Many retail stores fail because they extend credit too liberally. Minimize credit. The losses have to be added to the prices of the goods charged to those who do pay.

"A great deal of spoilage of highly perishable goods in retail stores is due to excessive handling of goods by customers. Such spoilage means high costs and, consequently, higher prices.

"Return empty milk bottles. The high price of bottled milk is in part due to the cost of replacing bottles.

"Observe weights and measures. It is more economical to buy by weight or count than by box or measure. Observe the scale when making purchases. Buy in quantity whenever expedient. Check up orders when they arrive so that mistakes may be immediately rectified."

All of which is merely by way of suggestion as to ways in which the purchasing agent of the home may reduce her business to a real scientific business instead of a hit-and-miss plan of exchanging the budget money for merchandise.

The budget, let us say once again, is the spending pattern — the program made for the most efficient spending of the income for the purpose of securing the results desired. Naturally, there must be some record kept of expenditures, else it will be impossible to deter-

mine whether the allowances made for the various divisions have exceeded the plan, or have kept well within the schedule.

By reason of the fact that the woman of the home, in the capacity of purchasing agent, actually has control of the spending of most of the income, it is only natural that the matter of keeping such records should occur as a part of her regular duty in the partnership.

While this duty is neither complicated nor burdensome, it has many distinct advantages in addition to the salutary one of assuring of the formation of a thrift fund — the showing of a profit which may be used for the extension of business of the home.

Chapter Four

THE FIRST "HOME" YEAR

THE solidity and stability of all buildings depend upon the care with which the foundations are built. This is true of institutions and businesses as well.

The first year in the married life of a young couple might well be termed the foundation-building period, for upon the manner in which life and its necessary adjustments are recognized during the first year depend to a large degree the success of the years to follow.

Many young persons want to know the class of securities into which their surplus and savings can be placed with safety — where they can start, at the very beginning, along the road of investment which will eventually lead to financial independence.

Generally speaking, the first year is so filled with other necessary considerations that it is not the time for investments in the specific sense of buying stocks, or bonds, or securities of any kind. The surplus, the savings, must be made, instead, to build for security and peace of mind against the many unusual expenses normally likely to occur within the first twelvemonth.

The only investment which should be considered

during this period is the investment of health, accident and life insurance.

All other savings will find their greatest value by being deposited in the savings bank. During the first year savings must be "liquid" — that is to say, they should be so placed where they will be earning something, but also where they may be readily and quickly secured for the payment of emergency obligations — and emergency obligations have a habit of cropping up during the first year of married life.

Aside from the cost of establishing the first nest — and there is a real and definite cost to its establishment, even though the start be made in a furnished house or apartment — there is the necessity of preparing a reserve fund to care for the investment in parenthood. Having children is not only a most natural but also a very desirable thing. Children are much more welcome, when they come, if plans have been made to defray the cost of their arrival, and the money is right at hand to pay those costs.

Unless the young folks have planned well in advance — and make their readjustments with care — there is not likely to be much of a surplus for investment during the first year.

In the establishment of the home few of us are so fortunate as to have the shelter provided for us. That is one of our first considerations. Where are we going to live? Will it be a house of our own, an apartment, quarters in a hotel, or just rooms? Usually this ques-

tion is not settled by young folks on the basis of merit, necessity, or what they can actually afford. The item of shelter in the expenditures during the first year is more often a great extravagance — principally because the young folks have forgotten the delights of playing that fine old game of make-believe. Instead they are trying to foist a false "make-believe" upon the minds of others — they want to make a better showing than is either necessary or economically possible.

Where it is at all possible, it is well for the first year to be spent in a domicile of their own — living with parents seldom works out to the best advantage. It has been rightly said by someone that no roof was ever large enough to cover two families, when those two families had to intermingle under its shelter. If the fledglings have grown wings strong enough to fly for themselves, then they should also make their own nests.

But those nests do not need to be fur-lined in the beginning. It is much more fun to "make-believe" they are fur-lined, and then gradually turn that make-believe into actuality. Only the unthinking persons are the ones who expect the youngsters to start out in life with as well and completely appointed households as those who have been meeting the problems of life for scores of years.

Truly, it is but natural that the young man and young woman should like to show each other to their friends and acquaintances to the best advantage, and

that they feel a proper setting is necessary for the most advantageous display of any jewel. Then, too, young men have a way, during the courtship days, of thoughtlessly making promises concerning future comforts which are often more easily made than kept. The young man is not to be wholly blamed for wanting to carry out those promises in so far as possible — and in this day of easy credits and deferred payments on practically every article of commercial barter, it is not so very hard to get the things necessary to provide those comforts.

The desire for this fine setting in the beginning — during the first year — when often the wise thing is to provide a setting which shall have more of comfort and less of show — is the prime reason for the major extravagance of the American people as a whole. Good fronts are a necessary factor in our American scheme of life, because we do an injustice to ourselves and to our friends when we maintain a scale or standard of life which is below us — but it isn't at all necessary to endeavor to maintain a scale head and shoulders above our capability or position.

The matter of expenditures during the first 12 months should be on the basis of "necessities only." Particularly will the young married folks do well to limit purchases to necessities, especially where the purchases are made in the field of instalment payments.

Rukeyser, in "The Common Sense of Money and Investments," outlines three rules concerning the

partial payment plan of purchases which suggest a wise procedure for the young couple during the first year.

"First: Never buy consumption goods on the partial payment plan if you are able to pay cash, for the credit substitute is expensive and the cost falls on the buyer.

"Second: Limit instalment purchases to commodities of an essential character whose benefits will extend at least over the entire period of payment. For example, it would be uneconomic to buy theater tickets on the instalment plan. But it would be justifiable to buy permanent things such as a house or even a piano on this basis.

"Third: If necessary to buy on the instalment plan, play safe and figure on adverse contingencies, such as loss of time, which would reduce your income. In other words, don't mortgage your current and prospective income up to the hilt except for emergencies, such as illness and operations, but leave an ample margin."

The instalment system of sales and merchandising has many beneficial aspects, and unquestionably has done much toward raising the standard of life for the average American family. But, on the other hand, the dollar-down-and-a-dollar-now-and-again scheme of business holds certain hazards for the young folks at the outset. On one side is the theory that the plan has brought within the reach of the small wage earner many of the refinements and luxuries of life, thereby raising the standard of living in the American home. Opposed to this is the contention that "easy payments" operate

to lead improvident people into expenditures and debt unjustified by their incomes and stations in society.

Living well depends not only on the size of the family income, but also upon the manner in which that income is spent. Sometimes, when one can make purchases on easy payments, there is a tendency to make extravagant and non-essential purchases. On the other hand, there is nothing wrong or unsound about the partial payment plan when it is used to finance the purchase of permanent or semi-permanent things.

In the financing of instalment purchases the men who supply the money to carry on such business, recognize the hazards confronting them, the cost of carrying accounts over long periods of time, the necessity of more thorough credit search, higher collection costs, possibly of legal fees for repossession of articles on which payments default — and many other costs incidental to the deferred payment plan. These costs have to be met by the purchasing public — therefore, it is quite plainly seen that things purchased on the easy payment plan will be higher in price, or lower in quality, than when the articles are purchased for cash or on a regular credit account. These are things the young couple should not overlook in their first-year purchases.

The first year is the opening, the starting, upon the highroad to success. " There is no secret about success," says Henry C. Frick. " Success simply calls for hard work, devotion to your business at all times, day or night. I was very poor and my education was

limited, but I worked very hard and always sought opportunities." The failure is the man who thinks that he would have found useful things to do if he had been born about 50 years earlier. And yet, one of the most useful things one can find to do is to learn to conserve earnings, to spend wisely, and to keep out of debt — particularly during that first year when so many unusual demands are likely to be made upon one's earnings.

Chapter Five

BUDGETING THE CHILDREN

CHILDREN are the unifying influence around which the entire orbit of the home life swings. They are the principal reason for the home, for without a proper home, adequately financed, we cannot give to our children the sort of rearing which is their right, nor can we make of them the kind of men and women we would have them be.

In the successful financing of the home the problems incident to the borning, and rearing, and educating of the children are as truly fundamentals as the other problems of buying a piece of property upon which the home shall be built — of contracting for the erection of the house — of planning ways and means for increased earnings and increased surplus — of seeking the proper avenues in which our surplus funds shall be invested to secure the greatest returns commensurate with safety — or of preparing for financial independence against the days when our producing periods shall have passed.

It is because these things are true that we have deemed it wise to compile some definite facts and figures concerning the preparation for the children. These figures have been gathered from a number of dependa-

ble sources, and are for average conditions obtaining in the American home.

While the figures given will naturally require some modification to meet the different conditions obtaining in different families, yet, on the whole, they will be found excellent guides, and readers are assured that the estimates are reliable averages, the compilation of which has necessitated much careful research and investigation.

The coming of the baby may be a joyfully anticipated event, or it may be the occasion of much concern if the home-makers have not made proper preparations for the financing of the arrival.

According to estimates secured from leading hospitals, physicians and stores supplying children's equipment — as well as from well known welfare organizations keeping definite records of costs, the minimum expense incident to bringing a baby safely into the world is $275.

So, then, a part of the eager anticipation with which parents may approach the day of parenthood might well be devoted to planning to have at least this amount available for the discharge of bills immediately upon the arrival of the little heir.

It would appear folly, indeed, to provide a sum of less than $300 to care for this important event.

This means that the first year budget should set aside at least $33 per month for the coming of the babe.

According to the budget figures previously given

this would absorb all of the items of saving and advancement where the monthly income is $150; all of the advancement and three-fifths of the savings at a salary of $200 per month; or the entire item of advancement where the salary is $300 per month. The item "advancement," it will be recalled, was the sum set aside for the list of requirements among which medical attendance was included.

One must realize, too, that not always can such important matters as the coming of the first baby be taken care of with a minimum of cost. The more money which can be set aside for this occasion the better it will be for the future care of the youngster as well as for the comfort and peace of mind of the parents.

It would appear to be an extremely simple matter to secure definite and concrete figures concerning the cost, in dollars and cents, of raising children, in view of the fact that this is an occupation in which so many thousands of persons have had experience. But the estimates secured have as great a variation as the number of persons or agencies consulted.

The welfare department of the Salvation Army, which seems to have made an especial effort to determine such costs on a definite basis by the compilation of a large number of cases, gives the following average minimum costs:

For the first six months of the child's life it is estimated that the cost for food, clothing and equip-

ment will be not less than $25 per month. This does not include the cost of illness on the part of the child.

For the next eighteen months — or until the child is 2 years old — this monthly charge may be moderated somewhat, but the lessening will be slight.

It is understood, of course, that these are minimum costs for the children of the average American family.

During the first two years, it is estimated by physicians of the same agency, provision for a minimum charge of $5 per month should be made to defray the costs of illness and medical attendance.

Thus it will be seen that the minimum allowance one should make for the expense of rearing a child during the first two years of its life is $720 — $360 per year, or $30 per month.

Along about the time a child is six years old, according to reports received from a number of observant parents, is the time the fond mother and father commence planning for the success to come when it reaches manhood or womanhood.

Nearly always these ambitious plans contemplate a college course for the boy or girl — or, perhaps, the establishment of some kind of business, usually the business or profession in which the father would have liked to engage had things gone the way he wanted them to go.

In this day, when no one gainsays the value of education in preparing one to combat successfully the

battles of life and to win out in the game of reaching financial independence, the idea of a college education is a frequent one.

In about 18 years the youngster will be ready to enter college for that finishing touch to the education for which the parents have so fondly planned. But college courses cost money. When is a better time to begin financing that course than right now?

Of course there are many boys and girls who go through college on their own personal efforts and without any assistance from their parents. It can be done. It has been done many times in the past and will be done many times in the future. But the boy or girl who is obliged to work entirely their way through college loses many of the desirable features of college life — features which will mean much during the latter years.

Let us see what college courses cost.

In the state college the tuition cost may be eliminated, but the books, laboratory charges and other expenses run from $100 to $200 per year in addition to lodging, board and clothing. In the other colleges tuition averages about $150 per year minimum. So, for the four years of college life the student must have from $400 to $1,400 available for expenses aside from clothing, food and shelter.

Therefore, it will be seen that the student must have at least $500 for each year of college life — a fund of $2,000 upon which to draw if he, or she, is to be able

to utilize the time at college for the purpose of study and preparation.

There isn't the least question but that the ambitions of the parents are worth a least $1.58 per week. So then, why not let us figure this as a separate item in the budget and create a college fund for the little creature upon whom our hopes and faith are pinned. Each month a deposit of $6.25 in the savings bank, where it will draw 4 per cent. compounded semi-annually, will do the trick. To be exact, it will amount to $1,986.02, of which $634.02 will be interest the money has earned.

But one can do even better than this. At the end of 10 years the fund will have reached the sum of $929.25. Being so close to the thousand-dollar mark, Dad will find no difficulty in supplying the needed $70.75 to bring it to the point where it can be withdrawn from the savings account and invested in some safe security where it will earn a greater interest.

Or, better still, the savings account can be carried along until the fifteenth year, when it will amount to $1,549.30. Then it can be shown to the young college-student-to-be, with the understanding that he must earn the remaining $450.70 within the next three years if the much discussed college course is to be an actuality. With this responsibility placed upon him, the child will not only be more thoroughly appreciative of the education which is to be his — but he will, by earning, have learned the value of money before the time comes for spending — with the natural result that

the funds will produce greater results, both in college and after he has entered the world of business.

And, supposing the college course is, for some reason, decided against, a capital of $2,000, rightly used, will assure of that much desired goal — financial independence before 50.

How better could parents plan for the six-weeks-old?

There is still another manner in which this result can be effected, a plan which meets with the approval of many parents because of its guaranty that the college fund will be ready on time, even though the parent cannot continue making the small weekly deposits.

This plan is known as the deferred endowment insurance policy — and can be secured from practically all of the well-established insurance companies.

Basing the requirements for the college fund at a minimum of $2,000, we get the following figures, which are approximately the same for all companies.

If the parents are around the age of 25 years, one or the other takes out a life insurance policy of the deferred endowment type. At this age the policy will cost $111.14 per year — $9.26 per month or $2.32 per week.

However, the payments continue for but 15 years, instead of 18, as was figured in the savings bank account plan. This would mean a total of premiums on the insurance policy amounting to $1,667.10, providing the person insured lived throughout the entire period, as it is sincerely hoped would be the case. This

would leave an earning in cash amounting to $332.90, in addition to the insurance feature.

In taking such a policy the parent stipulates that it is for the purpose of endowing the college education of the child. At any time after the expiration of the 15 years the payments will be made to meet the expenses of the child's school life. These payments can be arranged in any manner desired, providing they are extended through the four years of college period. Generally they are made in payments of $125 each three months — giving the child a base fund of $500 each year during the period.

While it may be rightly contended that $500 per year is not sufficient to meet the expenses of a college education, with board, clothing, room rent, tuition, and all the other incidentals, yet it is frequently proven that such a sum, supplemented by the student's earnings and individual savings, will carry through without any serious economic pressure being experienced by the child.

While the interest earnings on this plan of endowment will not be as great as would the interest on the savings bank account at 4 per cent. compounded semi-annually — the difference being $117.80 — the insurance feature is deemed well worthy of this difference.

The expense of raising children during the pre-school period of from 2 to 6 years has not been easy to determine, because these costs are generally absorbed in the regular life of the average family and no particular

effort is made by the parents to segregate them from the general expense.

After the first two years, and until the child enters the first school grades, it will be well to allow for an average minimum cost of $30 per month for each youngster.

This figure contemplates only the necessary things, such as food, clothing and medical attendance. It does not include such items as spending money, or toys and recreation.

During the school years it is necessary to contemplate a gradually growing average cost for the child.

The first year in grammar school is the lowest, when the minimum average is approximately $30 per month — this figure includes food, clothing, and necessary school expenses, such as books, pencils and the like — but makes no provision for spending money, lunches, or other expense of a like nature.

Gradually, as the years pass, in the elementary grades, the cost will show an upward trend, as more books and clothing have to be purchased, until along in the seventh and eighth grades the average minimum will be about $45 per month.

In addition to the home costs, meaning foods, clothing, and the things entirely outside of the school life, an authority on education advises that the elementary school education will cost around $80 to $90 per year for the eight years normally required in the grammar schools. During the high school period of 4 years, the

average cost per student will be from $200 to $250 per year, according to the same authority.

The normal home cost of the high school student is higher than while the child is in grammer school, judging from the information we have been able to glean. Clothes cost is higher, both for boys and for girls, and the board charge should be averaged at a minimum of from $45 to $50 per month.

It is estimated that the cost for girls through the high school period is approximately $15 per month greater than for boys.

Therefore, it will be safe in estimating an average minimum cost per year for the high school period at $800 for boys and $980 for girls. Always remembering that the knowing ones say the boy or girl who earns a portion of this cost for himself or herself is the better student and gets more from the high school course than do the ones who have everything provided for them.

The amount of spending money which may well be allowed the child during the school years is a necessary problem.

Just why it should be necessary to make an allowance of spending money for the child of tender years, during the pre-school period and the time of going to the grammar schools, is somewhat of a question in view of the fact that all of the child's wants and requirements are met in the ordinary course of the home life. However, small children do have spending money. But this allowance, regardless of its size, should be watched

by the parent, and some guidance provided the child as to the manner of its disposition.

In Los Angeles the association of school savings, fostered and developed by the banks, is doing much toward the education of the child toward thrift, and showing it the value of placing at least a portion of its money in the banks. The last report of this association shows 56,427 active savings accounts made by the children in the elementary and grammar schools, totaling $624,-838.27—the average savings account being $11.07. Unquestionably this excellent showing might be much greater if parents would lend a wider interest to the manner in which their youngsters spend the pennies and nickels and dimes which come into their hands.

That the savings mentioned in the foregoing paragraph represent a personal earning power and effort, on the part of the children, is evidenced in the list of ways and means used by the successful pupils to earn money before and after school and on Saturdays.

This list shows 25 separate and distinct forms of manual activities employed by the boys. Boys and girls together provide a list of 20 phases of agriculture in which they engage for the purpose of building up their savings account. Various forms of salesmanship in which the children engage make a list of 23 classifications. Self-service shows 16; home economics activities of girls registers 5; there are three classifications of handwork; five sorts of nursing; and six special ways in which to make money by school children. This

gives a total of 103 ways reported by the school children for building up their savings accounts.

This list does not include the most general way of all — the money received from doting parents or relatives, either as a definite allowance, or as gifts from time to time of which no record is kept.

Parents seem to be divided on the subject of requiring that the children earn money during the first years at school. The opponents point out that such a course, too early indulged, will have a tendency to curtail the amount of playtime and wholesome recreation required by the school child in its early years — but the majority of thinking parents, regardless of their financial standing, are in agreement that much good will come from requiring a certain percentage of earning by individual effort, during the latter years of the elementary school period, and through the time of high school.

Therefore, a careful consideration of the budgeting of the children in a manner which will assure of their education, not only through the elementary schools, but on through high school and college as well, finds a distinct place in the planning of the parents — and the planning is much more easily accomplished when the child is young — because then there is much more time in which to accomplish the desired result and the inroads upon the monthly income or salary check will not be so large.

But, with all this planning on the part of the parent comes, also, the necessity of early schooling of the child

in establishing a correct sense of values, good buying ability, and instinctive thrift habits.

The financial education of the child can begin well before it reaches its tenth birthday. Since nearly all children of the present day receive some kind of an allowance of spending money soon after they start going to school, at about the age of 6, here exists a period of four years when the parent can start the child upon the road of financial knowledge, before the age of 10 is reached.

If these four years be utilized to the extent of their possibilities, the child will actually be an investor at the age of 10, and will have a long start toward financial success over the ones who have to wait until after they have finished school before acquiring, in the hard school of experience, chunks of information concerning the value of money.

The reason most parents do not attempt to give their children an education in the fundamentals of finance and investment is because the parents are mentally lazy.

Nearly all normal parents take delight in training their children in the uses of the tools by which the family livelihood is made.

Yet there is one tool — used by all of us in the building of our homes of comfort and happiness — which we do not bother showing our children how to use. That tool is the dollar. And the paradoxical thing is that the more we use that tool for ourselves — the more it is

utilized for the prosperity of ourselves and our families — the less we think about showing our children how to use it. Children of families having an ample supply of dollars ofttimes appear to know the least concerning the value of the dollar, or how it works to produce other dollars.

Yet this knowledge might be easily imparted — if we were as interested in imparting it as we are in showing the child how to use the other tools with which we are familiar, as soon as it commences to notice things and make decisions for itself.

This might well be started by removing the accustomed spending allowance from the class of gifts. As a matter of fact a certain portion of the family income belongs to the child because it is a part of the family. As the child matures in understanding it naturally takes on certain duties in the family life — the spending allowance could be utilized as a reward exchanged for certain services or duties.

When the child has learned that money has to be earned — in some form or other — it has learned the first lesson of successful finance. This is a lesson it must learn before it will ever be able to acquire the other fundamentals — for, unless it realizes that money merely represents some form of human labor and endeavor, it can never determine a sense of valuations for itself.

Before a child can be taught the value of money, how to spend it, or how to conserve it, the child must

have some money with which to do these things. It should have a definite allowance — a certain amount for certain services, and paid regularly at a definite time. Unless this condition obtains the child cannot learn the value of cumulative savings, or build for itself a program of savings or cumulative purchasing.

It is manifestly unfair to the child to make it ask for spending money. This makes a beggar of the child, and each succeeding gift merely pauperizes it the more — and the more lavish the gifts of money without return of some kind, the harder will it be for the child to make money in the future years, or properly utilize the money which may come into its hands.

The first foundation stone in the financial education of the child is an income for itself — earned in a way in which it can understand — but this income should be so arranged that while the child will receive it at certain stated times, yet the volume of the income will depend upon the service the child renders of its own knowledge. This does not include such additions as "Now, Willie, be quiet while mother finishes this story and she will give you a dime for being a good boy."

The child mind is keen and quick to discover fraud in any form — and the child will soon discover whether there is a real value to the service extended, or whether the parents are merely using the money subterfuge for the purpose of securing certain results, as being an easier way than applying the hairbrush lustily to the seat of the young hopeful's trousers.

A definite income, regularly paid, honestly earned, is the solid rock upon which the financial education of the child may be builded.

Children enjoy the delights of anticipation. If a future pleasure be properly presented to them, so they can see it in their mind's eyes, they will work harder and longer to accomplish the pleasure than is true in the case of the average grown-up. Children will save more honestly and more consistently than the adult for the purpose of accomplishing a definite thing.

If the small boy likes to pretend he is a big business man, why not take advantage of that like and show him how he can turn the game of makebelieve into a reality. Show him, first of all, that his "allowance" is money he is honestly earning, that it will come to him regularly, and how much it will amount to at the end of certain definite periods. If he knows that his 25 cents a week will amount to 13 whole big round dollars at the end of a year, and that with those $13 all in hand at one time he can do much bigger things than may be accomplished by the individual quarters, he will be inclined to the idea of accomplishing the bigger thing.

With the girl child the problem is no different. She just knows her mother is a wonderful woman. Precisely why mother is wonderful is not exactly clear to her. Mother, or father either, for that matter, will not find it difficult to show the little miss that a part of mother's greatness rests in the fact that mother is a good home manager and a good business woman con-

cerning matters relating to the home. When she knows this she, too, will be anxious to follow mother's suggestions concerning the ways in which the fiscal end of home management may best be accomplished.

To tell the child to put money in the bank is about the extent of the financial schooling many parents provide for their children. The how and why of putting the money in such repositories are things the youngsters are left to discover for themselves.

Perhaps the reason more parents do not add zest to the habit of saving on the part of the children is that they have not taken the trouble to learn, for themselves, just why putting money in the bank is a good thing to do, or why the banks can afford to pay interest on the money people leave with them.

No child can ever become wildly enthusiastic over the thought of putting money in the bank — even in the little banks at home — unless it be turned into a game of some kind, with a definite reward to be secured as the result of such procedure. The matter of having a bank account at the big building of marble and bronze does not mean, of itself, anything particularly entrancing to the average youngster. As a matter of fact banks are such imposing and such ornate structures many children experience a feeling of fear when they are mentioned.

If the foundation of future income building be the habit of saving, and if parents be 90 per cent. responsible for the forming of this habit on the part of the

children, it would appear that we might well spend some time in devising ways in which we can inject the play spirit into the delightful and most desirable game of building for future independence.

The use of the little savings banks in the home can be made a game. Perhaps the game of contest, seeing which child will have his bank filled in the shortest time, or which will have the greater amount.

The transfer of the savings from the little home bank to the big bank can be made a more elaborate game, wherein the day of the visit to the bank, for the purpose of entering the deposit, may be made to partake of the nature of a genuine holiday, with any manner of entertainment features added which the parent may deem wise or justifiable.

When the youngster knows what the bank does with its pennies and quarters and dollars — learns how they are used for the greater benefit and prosperity of the community in which it lives — learns how it becomes responsible in a measure for the happiness of others through its savings — it finds a new reason for developing thrift.

These are things any average parent can explain to the child in an interesting manner, and in the explaining provide an additional reason for the cultivation of financial independence.

How to tell this interesting story to the child is something each parent will best develop for himself or herself. But there are many illustrations which may be

used so they will best fit the ideas of the individual child.

Tell the little future financier how the men in the bank take his money and then, right here in the same town, lend that money to some man so he can use it to help build a home for himself and his little boys and girls. Then, how the man who borrows the money uses it to pay the carpenter for his work on the new house, and how the carpenter takes the money home to his family. And if the carpenter has some little boys and girls who are saving their money, some of it goes back into the bank again to lend to someone else to help build another house.

With this one thought in mind the little saver will feel a proprietary interest in every new house he sees in course of construction.

Then comes the explanation of how the bank charges the borrowers some rent for the use of the money, and that is the way they get extra money back to carry on the work of the bank and pay him interest for letting the bank have it to lend.

When the child is encouraged to save and knows what becomes of its savings in the work of development of the community — how the saved pennies and dimes and dollars go toward the building of homes for other families to be happy in — how they help build power houses for the furnishing of electricity, or how they help buy material and pay for the labor which goes into paved streets so the automobiles will not run so

bumpily — that child gains a fundamental knowledge of how our system of society is organized and operated.

When the habit of saving has been firmly established, as it should be in the course of four years, and the child is earning more and collecting interest on its previous savings, the parent may easily find opportunity for giving the first instruction in the selectivity of investments and showing the child how it can secure more than the interest the savings bank pays on deposits.

The road to safe investment may then be pointed out. The parent may get a large measure of pleasure for himself by introducing the child to a sound investment house which sells baby bonds on the partial payment plan, and utilize the introduction for a simplified description of bonds and how they assist in the development of progress.

Or, and this will probably be the more logical step, the child may be shown the value of placing its accumulated savings in the securities of a building and loan association, where the savings will have a greater earning power than has obtained in the savings bank and where the relationship between the savings and the story of the home building will be closer.

The building and loan associations, with their great variety of investment plans from which to select, will offer to the young investor not only a safe place for the placement of its funds, but will, also, serve a double additional value. The plan of building and loan calls

for a systematic form of saving and deposits at regular intervals, and this plan will make for a continuance of the orderly arrangement of the child's financial affairs.

Further than this, if the child be thoroughly "sold" on the building and loan idea, it will, long before the time comes when it desires to build a home for itself, have established a fund more than ample to care for the cost of the home construction, as well as a borrowing credit which will make it possible for the child to secure money for home building purposes under the most favorable terms and conditions.

Prominent economists who have given care and study to the subject are unanimously of the opinion that we should begin to train our children in the handling of their own money even before they reach the age of adolescence. The lesson of the proper balance between spending and saving is one of the hardest lessons we have to learn. If lessons are more easily learned during the early, formative years of childhood, as is the agreement of all educators, it would appear to be the soundest kind of common sense to start teaching the difficult lessons at the earliest possible moment.

The financial independence of the child is 90 per cent. dependent upon the early education afforded by the parent.

Chapter Six

BUILDING THE HOME

THERE are few pleasures known to mankind which bring a greater measure of real joy and happiness than the one of planning and building the home. It is a long cry from the days when a convenient hole in the wall, furnished with pallets of dried grasses and animal pelts, constituted the home, to the present day when we find many considerations entering into the selection of the spot in which we shall find the greatest happiness in rearing our families.

To-day the problem is not nearly so simple, nor so easily solved. There are many factors to be considered. There are simple little things which can add to our happiness, or seriously mar the comfort and serenity of the home.

In the successful financing of the home there are many things to be considered. The selection of the property is of itself a most important thing, and this selection is of such importance that price should not always be the governing factor, although price must be considered from the standpoint of actual or potential value and as a basis of determining the methods of financing.

The building of the house — its planning and com-

forts and conveniences and cost — is another most important thing. There are many ways in which the home builder can buy to advantage in — and there are also many ways in which the uninitiated can suffer great losses when they have not been careful to inform themselves as to the proper methods of protection.

The home owner is an investor. It makes no difference whether he buys a house already built, if he can find one which will serve his needs and liking, or whether he erects one according to his own plans. Not only is he an investor, but he is a creator of wealth and adds to the resources of the community in which he dwells. The home one owns is the one in which he can feel a sense of security and refuge from the outside world, such as can be found in no other place.

The home owner is a person of standing in his community. He is looked upon as being a solid citizen. He has a credit standing not enjoyed by the renter — and, best of all, if he has been careful in the selection of his homesite and in the planning of his home, he is assured happiness and comfort in constantly growing measure as the years roll by, for when memories cluster around a house is when it becomes a home.

Building a home involves the ownership of real estate. One has to have a place upon which to build a house. The field of real estate, like all other highly specialized forms of business, has a language all its own. Those interested in this field will do well to acquaint themselves with the meanings of a few of the

more generally used terms. Such a knowledge will often prove a valuable source of protection against loss.

For data upon which to base simple and non-technical definitions of these more generally used terms, I am indebted to R. C. Pickering, an attorney of Los Angeles, well equipped by reason of wide experience to give such information. He suggests the following.

Real Estate Agent. A person who represents either the buyer or seller of real estate. Agreements authorizing him to buy or sell land, or real property as it is legally known, on a commission basis, should be written and signed.

Contract. An agreement between two or more persons to do or not to do a certain thing. When the contract concerns real estate it must be in writing.

Option. A contract between the owner of property and another person giving the other person the right to purchase and receive title to the property within a certain time and at a certain price. To be binding a consideration must be paid for the option.

Conveyance. Any piece of writing which affects the title of real property, creating an interest in the property, incumbering it, or disposing of it.

Deed. A written paper transferring the title of real property from one person to another — or it may transfer an interest in the property. There are several kinds of deeds.

Grant Deed. Usually property is conveyed under

what is known as a warranty deed, or a deed which guarantees that the title is clear. In California the law says that the conditions of a warranty deed are implied in the grant deed.

Quit Claim Deed. This is usually used to clear up title when some person has an apparent interest, and is given by that person, for a consideration, to wipe out the interest or claim.

Tax Deed. When the rightful owner of property does not pay taxes the title can be conveyed to a purchaser at a tax sale by the proper officer of the law. When property is so acquired the title is known as a "tax title."

Trust Deed. This is a deed given to guarantee the payment of a debt and gives the holder power to sell the property if the debt is not paid. The trust deed is often used in place of a mortgage.

Grantor. The person who makes a deed.

Grantee. The person to whom the deed is made.

Mortgage. A written paper giving legal claim on property as security for the payment of a debt. If the debt is not paid the holder of the mortgage has the power to sell the property, but the person who makes the mortgage has a year in which to redeem the property from the sale.

Mortgagor. The owner of the property who gives the legal claim against it.

Mortgagee. The person in whose favor the mortgage is made.

Lease. A contract giving a person possession and use of property for a certain period of time and under specified terms and conditions. Leases for longer than one year must be in writing.

Lessor. The person giving the lease to another.

Lessee. The person to whom the lease is given — he is known as the tenant and the lessor is known as the landlord.

Sub-Lease. When the tenant leases a portion of the property to another person, the contract is known as a sub-lease. If he turns over the entire property under the same conditions he leased it from the owner, the transaction is known as an assignment of lease.

Power of Attorney. An authorization made in writing, empowering one person to act in the name of another. The person making the authorization is known as the principal and the one accepting it is the agent. A power of attorney relating to matters of real estate must be recorded.

Consideration. The money, or other thing of value, given by one person to another in the carrying out of a contract between the two.

Commission. The fee paid to an agent or a broker for service in making or completing a deal.

Acknowledgment. The person who makes or signs

a deed or other paper "acknowledges" it by appearing before an official of the law, such as a notary public, and declaring it to be his act and deed. Most instruments must be acknowledged before they can be recorded.

Notary Public. A person authorized by law to take acknowledgments, depositions, etc.

Encumbrance. Taxes, assessments, liens and all claims upon property are known as encumbrance.

Lien. A claim against property made by legal process, as security for the payment of a debt, such as mechanics' lien for work or material performed upon or supplied to the property, tax lien, mortgage lien, etc.

Homestead. Under the homestead laws of the nation and some of the states there are certain sections in which persons may settle by filing a declaration to the effect that they intend to locate upon the land selected and improve it according to the conditions imposed by the laws. When this declaration has been properly recorded and the improvements have been carried out as specified, title to the land is given the homesteader. Generally speaking, there is but little other than arid and desert land available for homestead filing in the West, and in the State of California the laws limit the value of homestead property.

Transfer. The passing of title to property from one person to another.

Tenancy in Common. When two or more persons hold possession of land or buildings at the same time,

but by separate and distinct titles. Their interests may be unlike in size and value, or they may have acquired title by different modes, but they have unity of possession.

Community Property. This is a subject of much litigation as it is sometimes difficult to determine when property is community property or individually owned. It is the property acquired by the husband and wife, or either one of them, during marriage, when it is not acquired as separate property. The law says that property owned by either, prior to marriage, is separate property, as is, also, any property which may be given or willed to them individually, or which may come to them by descent.

Title Insurance. A contract or document showing the title to real estate, and guaranteeing the title or the correctness of the information the document contains.

Certificate of Title. A document guaranteeing that the records of the office of the county recorder show the title to the property described to be identical to the conditions shown in title. This is used in place of the abstract of title which is common in many states.

Torrens Title. According to the Torrens Law, the ownership of real estate and its transfer are handled in much the same manner as the ownership of an automobile. A certificate is recorded and a duplicate issued to the owner, which shows the exact condition of the title. Where Torrens titles are used, certificates of title or

abstract of title are not necessary, as the Torrens certificate shows the complete legal ownership.

The foregoing definitions will give the home builder a base for understanding the more generally used terms with which he will meet when he comes to purchase real estate.

Aside from the many desirable features of home ownership, such as the increased standing among his fellows which accrues to the man who owns his home as against the transient renter, and the fuller measure of happiness which comes to a family of children raised in a home of their own, there is a definite dollars and cents advantage.

When one stops to consider the cumulative value of the money expended for rent over a period of years, the monetary value of building one's own home as early as possible is soon evident.

Let us consider the following figures, merely by way of showing that it is possible for a renter to plan for home ownership, and within a reasonable period of time be in full possession of a place.

Let us assume that the amount spent for rent were invested in such a manner as to earn 6 per cent., and the interest was compounded annually. Such a type of investment is not at all hard to find, and in estimating on such a basis we are not stretching our imagination at all.

It is unusual to find even small families paying less than $50 per month rent for small cottages or apart-

ments. This rent in 10 years will amount to $7,908.40, and in 15 years grows to $13,956.48. A monthly rental of $60 is also a common average — this totals to $9,490.08 in 10 years and grows to $16,758,58 in 15 years.

There are many persons who pay as much as $70 per month rent. In 10 years such persons could own homes worth $11,071.76, or in 15 years worth $19,551.68. At $80 per month the totals would be — 10 years, $12,653.44; 15 years, $22,930.96. But if one gets into the $100 a month rental class, the values jump up to $15,816.80 in 10 years, or $27,930.96 in 15 years.

These cumulative values of rental figures are given at 10 and 15 years, because present-day financing methods for home building and ownership make it possible for the wage earner to enter into easy contracts which will permit him full, free and clear title to his home property in those periods.

The co-operative companies have made it possible for one to accumulate sufficient money within a short time to own a home, even though he may not have had any special savings fund provided for the purpose of making an initial payment of any great amount.

In the older forms of home financing companies the builder must own his lot and have some money saved for the purpose of making a first payment on the house. While it is not always necessary that the builder have the title to the lot entirely clear, it is often possible to secure better terms when the lot is clear and there is

enough of a reserve fund to make a first payment on the contract.

The great advantage of these building contracts, with companies which make a business of financing the erection of homes, is that the entire financing arrangements can be completed before the construction of the house is begun.

When we devise plans for that home we are to own, or make the rounds of places already completed which may be purchased, let us apply a few simple tests.

First of all, let us look for simplicity and attractiveness. Simplicity never tires, and simplicity never becomes out of style. The freaky, or bizarre may be attractive for a while — but as the years roll by they get to grating on the nerves of the occupants or become "passé." Let us remember that a house is not a good house for us unless we shall be happy living in it 365 days in the year.

Neighbors are a most important consideration. Let us give a little careful thought to the conditions of the neighborhood. Are the people who live thereabout the sort of people we would like to know and to associate with. Let us give a little special attention to the property and the people immediately adjacent to the place we are considering. A home surrounded by the right sort of neighbors is twice the home it is when isolated from people of our own kind.

Are the grounds and the surroundings of the house delightful, or do they hold possibilities for improve-

ment — considering the lawns and yards, and shrubbery and trees and flowers? These are all a true part of the true home.

What about the sun? Will the sunlight be in the living room or in the bedrooms? Will Mother find the kitchen an uncomfortably hot place to work during the Summer mornings? Sunlight is needed in happy homes, but to give the best effect it should not be misplaced, either as to location or time. And with the question of sunlight comes the companion question of ventilation and cross ventilation. Is there an enticing outlook from the dining room or the breakfast nook? It is strange how such vistas add to the zest of the appetite.

Arrangement of the rooms is most important — not only that the housework be most easily accomplished, but, also, that each member of the family shall have privacy. Does the arrangement permit of getting to the bathroom without going through other rooms? Are there plenty of closets and storage space? A six-room house should have at least four large closets, with one of them large enough to hold a trunk or chest, or maybe a small dresser.

Is the house one in which every member of the family will delight to live — one all will be glad to return to — one where each will be happy to bring his or her friends — a place of comfort and the abode of pride? These are paramount questions in the selection of a house which is to be a home.

"How much can we afford to pay for a home?" This is a question constantly asked by persons desiring to get out of the "renter" class and into the new world of sureness and added self-respect which comes with home ownership.

The more often the question is asked, and the more often it is truly answered, the more often do we find home owners who are really finding happiness in their homes.

Many investigators, who have carefully analyzed the problems incident to home ownership, are agreed that no home should cost more than the total sum a purchaser is prepared to pay over a period of 10 or 15 years; and that, generally speaking, a man may own a home worth one and one-half to two and one-half times his annual income.

To be more specific — a man earning a salary of $1,500 will not find it advisable to obligate himself more than $3,000 for his house and lot. Of this not more than $400 should be the cost of the lot, leaving $2,600 for the house. On a salary, or assured income of $2,000, the value of house and lot should not average more than $4,000 — $800 being the cost of the lot, and $3,200 the cost of the house. Where the income is $3,000, the lot cost should be kept within $1,200, leaving $4,800 as the fair house cost.

In addition to determining how much one can afford to set aside for the payments on the home, from the assured income, it is necessary also to remember that

there is an annual expense beside the payments incident to owning a home. This annual expense is estimated to be about one-tenth of the cost of a place. So, if one takes possession of a place worth $5,000, one should figure on setting aside at least $500 each year to take care of such items as repairs, taxes and upkeep.

Before entering into the purchase of a home it is wise to know precisely what the cost of the home will be, and how much it will cost each year thereafter. Costs vary in different localities, both in building and in taxes.

Then, if one purchases property where improvements, such as streets, sidewalks, sewers, and the like have not been installed, he will be obliged to pay his share of the cost of such improvements at a later time, and provisions should be made to take care of the assessments when they are made.

The United States Department of Commerce, in its book, "How to Own Your Home," advises that the head of a family should ask himself the following questions before buying a home:

"What is the family's annual income and what will it probably be next year and the year after?

"If business slackens is he likely to lose his position or have his earnings reduced?

"Will anyone else in the family be able to earn an income?

"What does the family now pay for rent?

"How much of the income is being saved?

"How much could the family afford to pay out each year in paying for a home, and for the expenses that go with it?

"It is a mistake to buy beyond one's ability to pay, for that usually results in the loss of the home or in a most discouraging struggle. The purchase should be safe; thus, if a family cannot pay $7,500 for a house, a $5,000 house may be within its means. It is always best to leave some margin of safety to provide for illness or other emergency. While one may be too optimistic when an attractive house is in view, and count on an increased income that he may never receive, nearly every family can and should cut down other expenses when the savings are to be invested in a home."

After having determined the total amount one can afford to pay for a home, the next question which logically occurs to the prospective home owner is, "What proportion of income can safely be allotted to the payments?"

The answering of this question must not be based upon the amount of the payments alone — there are other costs incident to home ownership besides the actual outlay on the purchase contract. These should be considered in the budgeting of finances so as to allow of easy operation without cramping and undue pressure.

It is estimated that an amount equal to one-fifth of the assured income is permissible expenditure for rent

or payments on the home. However, it is stated by careful analysts and statisticians that an allowance of one-fifth is too great for families in the lower range of incomes, and that in such cases the permissible or safe allowance for rent should be one-eighth of the assured income.

Rent, or payments on a home, may require anywhere from one-eighth to one-third of the family income, depending on the special circumstances in each case. But, in view of the fact that the acquisition of title to the home may be considered in the light of a permanent investment, it is often permissible for the family to add a portion of its savings funds to the amount generally spent for rent, that the payments on the home may be larger and the title acquired in a shorter period of time.

In addition to the interest payments and the instalments on the principal of the purchase contract or loan, allowance must be made for renewals and repairs, taxes, special assessments, insurance, water tax and various accessories and improvements. Sometimes families, accustomed to life in apartments, fail to make allowance for costs of fuel, when moving into a home of their own.

Some home owners add in the interest which they would otherwise receive from their money, on the amount of their cash payment or equity, as a charge in the cost of home ownership. This is a good charge to make, because it not only serves to show the actual cost

of owning a home, but by providing for it, permits budgeting in a manner which makes payments easier when they are due, or permits of the accumulation of a larger savings account for emergencies.

The maintenance of homes should not be overlooked by the purchaser. Even in new houses there are certain things which must be kept up, year after year, if the property is not to depreciate in value. The outside sash and trim will need repainting at intervals, and some houses will require an entire painting of the exterior from time to time. Interior walls and ceilings will need repapering and repairing every few years. Sometimes the roof will need renewing. These are things to think about and prepare for before they happen — for instance, if a roof will have to be renewed in ten years and the cost will be $400, then one should estimate an annual cost of $40 against this item.

The property tax and likelihood of special assessments should be considered in advance and definite knowledge secured as to the amount of these taxes each year, that proper allowance may be made to make these payments, for taxes are things which have to be met, and met promptly.

Then there is the item of insurance, which will cost approximately one-half of one per cent. of the value of the house. Insurance is always required by the bank, trust company or building association which makes the loan for building. Water tax or rent is usually small, but should not be overlooked.

Accessories are another item of expense which must be considered — screens, awnings and the like. And improvements which may be necessary or desirable to make the place more livable, should be considered as a part of the cost one will have to meet before the year is out. This is particularly true in many of the lower-cost houses where many desirable features have been omitted.

In selecting property for the erection of the home — in buying a lot upon which to build and live — there are a number of important considerations which should be given attention. The answers to the questions upon which these considerations can be decided should be secured by the purchaser from a disinterested third person and not from the person offering the property for sale.

Concerning the general location of the property the first question will be whether the land values are low or high, and the next one will be concerning transportation facilities to the place of work and to the shopping centers. The features of protection offered to the home such as restrictions concerning the types of buildings which may be erected in the neighborhood; zoning ordinances and city planning; fire and police protection, are other things which should assist in determining the true value of the property.

Location of the property — that is, the specific location of the lot in its relationships to other factors of the neighborhood — are points to be inquired into care-

fully. The character of the neighborhood as a whole, the location with reference to schools and playgrounds for the children, are things which will assist in the making of a desirable home or detract from its value.

Other points of determination as to the desirability and value of the property from the home making standpoint are the characteristics of the lot itself, such as the number of shade trees, shrubs or the possibility of garden arrangements; how the house will set with reference to sunlight and prevailing winds; the kind of soil and whether there will be any necessity for grading, filling or draining.

It may seem silly to some to lay so much stress on little things such as I have mentioned, and some will say that such careful analysis will go far toward killing the enthusiasm so necessary to the establishment of any home. But most men and women who buy a home have never done it before. To many it is the largest investment they ever make — and without question it is the most important investment any person can make, because unless it be made properly it will fail to pay the most desirable of all dividends — the dividend of happiness. If this investment be made wisely, it will prove the stepping stone to advancement and success, while a mistake may cause discouragement and the loss of one's savings. A thorough answering of the little questions — the little questions founded upon plain, ordinary common sense, which provides the ma-

terial for determining a standard of values — will obviate many a regret in the latter years.

Most of us have had some experience in the onerous task of house hunting and know how tiresome the job can be. But in house hunting there is a distinct advantage over lot hunting, in that the moment we view a house we can decide whether it is the sort of a place in which we wish to live. It is all there before our eyes and recourse to the imagination is not necessary.

But with the selection of a piece of property upon which to build our home — the place where we shall have to live for a long time — the greatest investment of our lives — the task confronting us is much different.

Usually the matter of choosing a location is somewhat of a compromise — we have to make an adjustment between the sort of a place we dream of having and the sort of place our financial condition will actually permit us to purchase. In the larger cities choice must be made between a small lot at a high price in the more readily accessible sections, or larger lots farther out where land values have not risen to such high per-square-foot prices. But in making this decision let us not forget that a site with a yard, where green grass may be grown will be of great help in the raising of children and ease many an hour for mother in her household tasks.

If we select a piece of ground in the outlying districts, for the sake of the greater amount of space and possibilities for lawn and garden, we must give par-

ticular attention to the matter of easy transportation to the section of the city in which working members of the family are likely to be employed. It is not enough that the real estate agent assure one that a trolley line or a bus system is promised in the near future. One cannot ride on promises — and one must get to work on time. Then, too, the good housewife will have shopping to do and there must be adequate provision for her to get to the shopping centers easily.

The zoning system, now generally being adopted in practically all of the larger cities, will help us in our selection. By making a little study of the zone system employed it will be easy to stay away from those districts likely to suffer intrusion of factories, public garages and scattered stores.

In many places where the zoning law has not become effective, property is subject to private restrictions concerning the type of home or business institution which may be erected. This matter of private restriction is one into which the prospective purchaser should inquire rather carefully, to determine whether the restrictions have a considerable future life before them or whether they were inaugurated some time in the past and are likely to expire at an early date. Particular care should be given to a determination that the restrictions apply equally to all of the other pieces of property in the neighborhood. If even one or two lots in a block were unrestricted objectionable buildings might be erected upon them.

Noise, too, is a factor. Streets carrying through traffic are often dangerous to children, and streets having many street cars running past, or much heavy truck traffic at night, would not be conducive to serenity and rest.

No matter how self-sufficient we may be neighbors are something to be considered. Possibly we may not find the time to associate with them ourselves — but our children will be playing with the neighbor's children, and it is desirable that our children have the right kind of surroundings.

What about schools, parks and playgrounds in the immediate neighborhood? If desirable places of this nature are close at hand many cares and burdens will be removed from the shoulders of mother.

The location of the happy home is not the result of a 10-minute conference nor a half-hour visit.

"How much shall we pay for a lot?"

In "How to Own Your Home," a booklet issued by the division of building and housing, United States bureau of standards, we find the following information which may be used as a guide in this relation — although it must be remembered that a book issued by the Government must, of necessity, strike an average condition for the entire country, and that, consequently, local conditions may make some change necessary in the estimates. The book says:

"The question of how much to spend for the lot itself

depends largely on whether or not it is 'improved.' Where streets, curbing, sidewalks, water, electric service, gas and sewerage improvements have not been made, a lot may sometimes be obtained for less than 5 per cent. of the total cost of the house and lot, and 10 per cent. should probably be the upper limit.

"If all improvements have been made, the cost of the lot frequently runs up to 20 per cent., but it should rarely exceed 25 per cent. 'Front-foot' values, as shown by recent genuine sales and assessed valuations, may serve to check values.

"The less expensive the lot the more money is left for the house itself, and a well-constructed home on a cheap lot is far more desirable than an unsatisfactory house on an expensive lot. Although a house that is much more expensive than its neighbors might be hard to sell at a good price, a very cheap house may add nothing at all to the sale value of an expensive lot."

In the phrase, "the less expensive the lot the more money is left for the house itself," lies the thought which should be well borne in mind by all prospective home builders. If this thought is ever kept in the fore — and is used as a base for considering other factors in determining the value of the lot — there is less likelihood that the purchaser will succumb to the lure of the fanciful selling talk, and more likelihood that the place will be retained as a home site free from "for sale" signs for many a year.

And this thought will also bring forth another ques-

tion for consideration — whether it is wise to purchase a lot a long time in advance of the time when one expects to build, in the hope that the increase of value will make the purchase an investment instead of a speculation. When property is purchased a long time in advance it is well to remember that the out-go for taxes is certain to continue whether building is done or not, and there may be special assessments for street and other improvements. Then, too, there is also a continual loss of interest in the money tied up in the lot. All of these must be added as part of the cost of the lot.

Corner lots have their advantages, but may be doubly assessed for street improvements, and will require longer fences if fences are used, as well as much more sidewalk cost. A lot on firm, hard ground is worth more than one on marshy soil, and filled-in or "made" land is certain to add to the upkeep cost of the house, because the foundations will settle and cause unexpected damage. Where rock is close to the top of the soil it is often more expensive to erect the building — and, on the other hand, where filling-in or grading is required there will be an additional cost before building operations can be completed. Lots requiring such work should be carefully scrutinized before the purchase is made, and complete estimates of cost obtained — adding these costs to the sales price of the lot.

There are three further essential things to do: determine the property value, assure of the correctness of

the lot survey, and make certain as to the conditions of the title.

These three things are factors in which the average purchaser will need some assistance from thoroughly qualified, disinterested persons. Unless one has had the special training and experience which will make it possible to determine these things for oneself, it will be wise to defer closing the deal until such advice has been obtained.

The checking of property values is comparatively simple — and the value is not always to be judged by the prices at which lots in the immediate neighborhood are selling at the moment. It often happens that such sales are superinduced by some cause or causes far removed from the actual value of the place. The value of the place is determined largely by its desirability for a home. Such value can best be estimated by an expert. The appraisal given to the property by building and loan associations, or some organization engaged in the business of making building loans, is usually a safe basis for judgment. Often such institutions will loan as much as 60 per cent. of the value of the property — if they will not loan more than 40 per cent. of the price asked for the lot it is safe to assume that the seller has consciously or unconsciously asked too high a price.

Answering the question, "Is it necessary for me to have my lot surveyed before starting to build my home?" a prominent real estate man says: "The

answer should always be 'Yes.' In fact, there is only one possible exception to this rule, and that is the case of a new subdivision where the engineers have finished the tract and the final lot stakes have been set."

It is pointed out that many costly errors have been brought into being by procrastination on the part of a lot buyer having a correct survey made of the property he has purchased and upon which he had built a house. Errors in building resulting in encroachment upon other property necessitates large expense in moving the structure or altering it in a manner which would remove the encroaching portion. The cost of such surveys is but small as compared with the possible expense which may be brought into being through such errors — surveys will cost somewhere in the neighborhood of $30, whereas the mistakes may cost hundreds or even thousands.

Again quoting the real estate man in relation to the necessity for accurate surveys: "Particularly where residence lots of odd sizes and shapes are involved it is necessary to show some care in this matter of surveys. There is also trouble of various kinds in the foothill or mountain districts where surfaces are frequently rough and irregular. In this type of property it is especially necessary that the property be carefully staked off and properly described in the deed. The nominal cost of such an operation is not to be compared with the peace of mind which the owner may have in

knowing that he is building on his own property and that there is no chance of being molested."

While the matter of title examination is one which is largely cared for these days by the requirements of a guarantee by a title company on the part of bank and financing companies making loans on the property, yet it is something with which the lot buyer should not fail to concern himself. It is not enough to know that the title to the lot is clear and that it describes the property correctly, but one must also know for certainty if any easements exist, such as the granting of right-of-way to other property, or give the telephone company or water system the right to place poles upon the property or run water pipes through it — as the existence of such easements might cause inconvenience and expense to the purchaser at a later date.

None of these matters are complicated, nor do they present any great difficulty of determination by persons acquainted with the ways in which such information may be ascertained.

With the purchase of the lot completed in all its details, comes the delightful preparation for the building of the house.

But while plans cost nothing to think about, and give much pleasure in the making, yet the carrying of those plans to fulfillment, all mean expenditures, and expenditures mean adjustment of the budget or spending program to fit the income.

Lot purchasers, as a general rule, overlook one most

necessary essential in their acquirement of real estate — they neglect to establish a basis for borrowing; they have neglected to build up a credit reputation which will assist in the determination of the loan by the bank or the financing company.

Almost any banker will tell one that the first consideration, in the application for a loan, is the credit reputation of the borrower. True enough, the security must be good, but even if the security is gilt-edged, the banker will hesitate about approving the loan unless he be satisfied as to the credit reputation of the person making the application.

These men point out the tendency on the part of many persons to purchase property — vacant lots — on the instalment basis, as so much of our property is purchased, and to assume obligations which take the entire savings or surplus of the purchaser to make the payments.

True enough, the purchaser of lots who makes substantial payments month after month, and year after year, until the entire purchase price of the lots has been paid, has a good record with the company from which he purchases the property.

But that record means but little to the bank or the financing company, because the deposit record of the purchaser in the bank has amounted to little during the time. It is but human that men desire to be of service to those who have been of service to them — but natural that the banker should feel an obligation to render

service to the bank's customers who have been regular depositors, year in and year out, and have a record within his institution which thoroughly establishes the thrift tendencies and credit history of the borrower.

Buy a lot if you can, but try to build up your cash savings to the value of that lot by the time it is paid for. It may mean a cheaper lot or a longer wait, but it makes your home financing simple and easy, with independence just around the corner.

How shall we go about financing the cost of building our home when we already have the lot clear?

First go to the bank with which one does business, or to a building and loan association, place the entire problem before them and get their advice. Then work down to the actual financing agency and contractor through references given by them.

Banks usually favor their regular customers in the matter of building loans. In making such loans the banks are rigidly guided by state and national laws which specifically state the kind and terms of such loans. Usually the bank will loan approximately 40 per cent. of the appraised value of the property and amount of an approved contract. If the lot will appraise at $3,000, and the cash contract price for the house is $7,000, the bank valuation on the property would be $10,000 and on such a valuation would probably make a loan for building purposes of approximately $4,000.

It must always be remembered that valuation esti-

mates made by the bank are not based on selling prices. No lender takes selling or "asking" prices as the basis for financing. He determines what the lot would bring for all cash on a forced sale, adds what he could duplicate the house for, considers what the house and lot together would bring at a forced sale, and usually lends about half that amount on a first mortgage.

Such loans are usually made for three years, and the interest is $5\frac{1}{2}$ to 7 per cent. per year. The only incidental costs are title insurance, fire insurance and a nominal appraisal fee.

But this leaves $3,000 to be secured by some other means, if one is to build the $7,000 house contemplated in the contract. If the lot owner has followed the plan of setting aside a portion of his earnings so that he has cash on hand equal to the amount he has paid for his lot everything will be lovely, because he will have the necessary $3,000 in hand — as well as having a much better credit record at the bank. If he has not been provident in this regard he must pay for his improvidence by securing the money on a second mortgage — and the costs of second mortgages often run much higher than the home builder figures.

Many persons assume that second mortgages are different from first mortgages only in that the first mortgage has first call on the property in the event that payments are not made. This is far from being the case. They are an entirely different kind of financing and have to be arranged in an entirely different market.

Because second paper financing requires more than ordinary interest and bonuses to attract investors, it is arranged that a trust deed with a note be given for from 10 to 25 per cent. of the cash to be received. Usually it calls for 36 equal monthly payments, including interest at 6 or 7 per cent., and is, therefore, paid off by the time the first mortgage falls due.

As a matter of fact, however, the real earning, or cost of the trust deed note, considering its actual cash advance for the actual time the money is loaned, will be anywhere from 18 to 40 per cent. per year instead of the 6 or 7 per cent. interest shown on the note, due to the discount and the interest paid on the discount.

Surely the knowledge of this terrific price which must be paid for the use of money secured by the second mortgage system should be a sufficient stimulant to thrift and saving to cause the potential home builder to so arrange his budget that there will be a surplus of cash in hand to take care of the financing required in addition to the first mortgage. Usually the matter of financing, particularly the handling of the second mortgage, is handled by "financing contractors"—contractors who undertake not only the building of the house, but the provision of necessary money as well.

The utilization of building and loan associations offers a number of features of advantage in the matter of financing for building.

This is shown by a comparison of the interest charges

paid by the borrower on building and loan contracts against the amounts paid on the straight bank loan. The total interest collected by one of our non-mutual associations on a loan of $1,000 over a period of nine years amounts to only $441, while the interest collected on a straight loan of the same amount for the same time would amount to $630 at 7 per cent. In addition, the borrower would have to pay the expense of twice renewing his straight loan.

Then, too, the amount which can be borrowed from the building and loan is generally greater than will be loaned on the appraised value by the banks. While building and loan is operated under stringent state regulations, the organizations have greater latitude in the matter of home building loans than obtains with savings banks.

There are, generally speaking, two types of building and loan associations — the mutual and the non-mutual, or guarantee capital associations. The conditions of repayment of loans are different in the two types. Each have their advocates and each serve some classes of borrowers better than others.

In the mutual associations a borrower takes one share of stock for each $100 of his loan and pledges his stock, together with his note and mortgage, as security for the loan.

Under this plan the borrower pays for his stock in regular monthly payments, and also makes regular monthly payments of the interest on his loan. During

this time his stock participates in the earnings of the association.

When the payments on the stock, plus the earnings of the stock, amount to the matured value of the stock, the whole contract terminates, the stock is surrendered to the association and canceled, the borrower's loan is canceled, and his papers are returned to him.

Just how soon the loan will be completed is not possible to determine in advance in the mutual companies, because it is impossible to foresee what the stock earnings will be. In the mutual associations the borrower, being also a stockholder, assumes the customary stockholders' liabilities.

In the nonmutual companies the borrower is not a stockholder. He borrows money for building on his note and mortgage, the same as he would from a bank or individual, and pays it back in equal monthly payments. Each month the interest is computed on the unpaid balance. This interest is deducted from the payment and the balance is applied to the principal.

In the nonmutual association it is possible to determine precisely how long a time will elapse before the entire debt is discharged, and exactly the cost to the borrower.

In view of the fact that building and loan associations have been organized for the purpose of encouraging thrift, a major part of their business is to assist people to acquire homes by lending money to build a home or pay off an encumbrance already existing on

a home. The fundamental thought is to encourage the home owner to get out of debt.

While the interest rate charged by building and loan associations is usually somewhat higher than the rate charged on straight loans by the banks, as a general thing the borrower can get a larger loan on his property than he can from the bank — and on the other hand, in the mutual companies his interest is constantly being reduced by earnings on his stock, or through direct reduction of the interest in the nonmutual associations.

Building and loan associations do not build houses, nor buy or sell real estate, and should not be confused with building companies or investment companies. Usually the monthly payments in the building and loan contracts are less than one would have to pay in rent for a house of the same character — they afford the opportunity to "pay rent to yourself and own your home free and clear."

It is often pointed out, and justly so, that a tremendous amount of flimsy home building has been going on, throughout the country, during the past few years. Flimsy building means lack of permanence, and heavy depreciation costs. Cheap architecture — fanciful or "freak" plans — will contribute to lack of permanency equally as much as poor materials or workmanship. These things do not make for good living conditions.

It is a common error for people to think they are sufficiently familiar with the manner in which houses

should be built to assure against loss by reason of poor planning. But inexperience in home building may be a very costly item and one that cannot be easily overcome. Next to losses caused by inexperience, money is lost to home builders because of hurry, lack of funds for the initial investment, heavy expense because of other possessions, lack of insistence that only first class materials be used in the construction, and a willingness to accept inferior construction without complaint.

All of these things are responsible for flimsy building — the most costly of all errors into which the home builder can fall. There is one easy way in which this error can be avoided. Secure the services of a good architect. Tell him what it is desired to accomplish in the way of a home — how much can be spent for the house — where the lot is located — all the other factors entering into the location. Then, when the architect has completed the plans and the specifications to meet these requirements one can go ahead in the matter of contracting for the building.

When one has the plans for his home well laid out, after consultation with a reliable architect, who will be of invaluable assistance in steering clear of costly mistakes; and the matter of finance has been cleared away, the prospective home owner is well on the way toward realizing his ambition. The next forward step is arranging the terms of the contract for the building and selecting the contractor best qualified to carry on the work.

But, before we start in on these phases of the fun of home making, I believe it will be well to repeat a set of seven simple suggestions given by the Building Material Dealers' Credit association for the benefit and protection of home builders. Unfortunately there are many, many cases where the home builders suffer loss which might well be avoided if they were informed as to these seven simple suggestions. They are as follows:

1. Investigate thoroughly your contractor's reputation and financial standing.

2. Have the contract and specifications in writing.

3. Finance your building project completely before beginning the work.

4. Record your building contract.

5. Insure your building in full against fire during the construction period.

6. As you pay your contractor have him furnish you with receipted bills (showing the address of your job) from every material dealer, also from the sub-contractors and from the dealers who supply the sub-contractors' materials.

7. File a notice of completion.

A faithful observance of these suggestions will obviate any loss to the owner of the house through the mechanics' lien law, which holds the property (not the contractor or builder) responsible for labor and construction material used in the house. This law makes it urgent that owners deal with reputable, high-class contractors, because such bills can be filed against the

property. They constitute a lien and can be foreclosed the same as a mortgage if the bills have not been paid by the contractor, even though the owner of the house has previously paid the contractor in full.

The law provides that the owner of the house may demand from a contractor a bond for faithful performance of the contract, which means satisfactory completion at the contract price according to the specifications, and for the full payment of any mechanics' liens which may lawfully be held against the property.

Where the contractors provide such a surety bond the home builder is cautioned against making any payments ahead of time, or violating the contract or bond in any way without written permission of the bond surety.

Terms of payment in building contracts are usually arranged on the following basis:

The first 20 per cent. when the first floor joists are in place and the rough lumber is on the job. The second 20 per cent. when the roof is on. The third 20 per cent. when the building is plastered. The fourth 20 per cent. when the building is completed. The fifth 20 per cent. when the time has elapsed for filing mechanics' liens.

Within 10 days after the work has been completed, according to mutual understanding between the owner and the contractor, a regular form of "notice of completion" should be filed in the office of the county recorder. If this notice is filed 30 days are allowed

for the filing of liens by material men, laborers, or sub-contractors. If the notice of completion is not filed 90 days are allowed for the filing of liens. Completion dates from the date of the last work done on the house.

In actually placing the contract for the building of the house there are two most important items to consider — first the form of contract entered into, and second the selection of the contractor.

To determine the type of contract into which one shall enter it will be necessary to secure estimates of cost on the specifications prepared by the architect. The architect should be asked to obtain bids from at least three responsible contractors, and the one should be selected who gives the lowest estimate; provided always, he has the necessary standing and financial resources to obtain the bond of a first-class surety company.

Concerning the matter of a surety, or indemnity bond, it is impossible to emphasize the necessity for this bond too strongly. Many contractors are very clever in attempting to convince an owner that a bond is not necessary. Frequently they refer to the cost of such a bond as an expense with which the owner can very well dispense. The cost of the bond is ultimately paid by the owner of the building, for the simple reason that the contractor merely adds its cost into his estimates and contract.

Usually the contractor who makes the strongest argument against furnishing a bond is the one of whom a

bond is most needed. Large surety companies have many sources of information regarding contractors, and if a contractor furnishes the bond of a good company there is strong probability that he can go through with his contract in a workmanlike and satisfactory manner.

A prominent building financier, speaking of the necessity for surety bonds, says: "One should no sooner fail to bond a contractor who is to build his home than he would fail to carry fire insurance after completion. They are in the same category; to the conservative, prudent business man both are indispensable."

The most usual form of contract is the straight "lump sum" type — wherein the contractor undertakes to perform a contract for a definite sum of money which is to be paid in instalments as the work progresses.

This form of contract gives the owner a definite knowledge as to exactly what the building will cost and enables him to make his plans accordingly. But the contract holds possibilities of becoming a delusion and a disappointment unless the contractor makes bond for its faithful performance.

In some instances the "cost-plus" form of contract will work to the advantage of both the home builder and the contractor. This form of contract provides that the owner will pay the contractor the actual cost of construction, plus compensation for his services and the use of all of his plant and organization. In some

instances the compensation will take the form of a "fixed fee" or definite service payment to the contractor, while in other cases it may be a definite percentage of the total cost.

For the person with unlimited means the cost-plus form of contract holds several advantages, in that he may make changes, or additions, or improvements in the building as the work progresses, and is in a position to carefully supervise all the items of construction.

However, for the man of limited means the cost-plus form of contract is apt to prove dangerous unless he has required the contractor to guarantee that the cost will not exceed a certain specified sum, and has a good surety bond from the contractor for performance of contract. Where these provisions are incorporated into the cost-plus contract there may be an advantage for both the owner and the contractor as they will both share in any economies which may be effected but which do not alter the factors of permanency contemplated in the specifications.

But, what is sauce for the goose must also be sauce for the gander, and if the owner of the building insists upon changes during the course of construction which will add materially to the cost of the building, he must not expect that the contractor will suffer loss, but on the other hand he must be prepared to assume a proportionate share of the added costs — unless this feature be fully covered in the terms of the contract.

For a clear and comprehensive analysis of the

method of handling one's building through a "financing contractor," we are indebted to Harry F. Hossack, vice-president of the Security Housing Corporation, who has been identified with building construction in Southern California for many years and is intimately familiar with the working of the various plans in use in this section of the country. He says:

"It is seldom that the owner of a piece of property, who desires to build upon that property, will have either the knowledge of ways, the confidence in his own ability, or the time necessary, to call on all the first mortgage sources, and after getting his first mortgage arranged, to call on the various second-paper sources and arrange for the discount and terms of his second-paper or trust deeds, so-called. In many cases he turns these matters over to a financing contractor, who engages to do the building and to furnish all the money.

"When this occurs the financing contractor simply adds the costs of these matters to the amount of his contract figure and gives the owner a figure that covers the whole thing. For instance, if his figure is $4,000 for the house completed, he will take a first mortgage of $2,500 at from 5½ to 7 per cent., payable in three years, and the remaining $1,500 payable in 36 equal monthly payments at from 6 to 8 per cent. He may complete his negotiations for the paper before starting work, or he may wait until the house is completed to sell both first and second paper. If he can, he will wait,

because he will probably save some of the discounts claimed by buyers of paper on houses not yet built.

"Assuming that the contractor would be entitled to $3,500 for the job if the owner were to give him all cash, then the question naturally arises, What becomes of the other $500 he has charged the owner for the house? It works out something on this order:

"If the lot value is $1,500 and the actual value of the house is $3,500, the total appraisable value would be $5,000, on which the maximum salable first mortgage would be 50 per cent., or $2,500. This leaves $1,000 needed to cover the cost of building the house.

"In addition to the additional $1,000 needed, the financing contractor estimates that he will have to allow a bonus of $75 and anticipates a discount of $275 on the second paper — this brings the cost of the $1,000 to $1,350.

"But the cost of the second paper and the first mortgage amounts to but $3,850. It will be seen that if the contractor can arrange in advance for the first mortgage and the sale of the second mortgage at these costs his contract price need only be the sum of the faces of first and second paper, or $3,850 instead of $4,000. But contractors are foolish to undertake such responsibilities on the margin allowed on all-cash work. They do not, in practice, confine themselves to the margin indicated in the $4,000 price. They will not only figure in the $150 for contingencies, but as much more as their salesmanship can get.

That care should be taken concerning the financial ability of these financing contractors is pointed out by Mr. Hossack when he says: "A contractor who does much of this business has expenses the all-cash contractor does not have. It takes special talent, time and connections to operate such a business, which does not often, in the end, prove profitable. The tendency is to continue to expand, take on more and more work, become involved in more and more paper. The danger is that the building concern so operating will be widely extended at the time when money suddenly becomes hard to get, and will have a number of jobs under way that will suffer in consequence."

The person who borrows for building should not deal with any individual or concern without ascertaining from reliable sources that funds will be forthcoming when agreed. Otherwise the owner, the contractor and all who supply materials and labor on the job may be injured.

The wise home builder will protect himself by a few simple precautions and adequate insurance of the proper type.

First of all he should make certain that the contractor who is to do the building is fully protected by workmen's compensation and public liability insurance. In the case of workmen's compensation, if an employee of the contractor is injured during the course of work on your building, and the contractor is unable to meet the cost of damages incident to such injury, the property itself

becomes liable and is subject to lien for the amount of such damages. This insurance should be, and generally is, carried in proper proportions by responsible contractors.

The public liability insurance is also essential, and should be carried by the contractor, although it may be assumed by the owner if he desires. This insurance protects the contractor, owner and builder from personal injury suits for damages sustained by other than direct employees, arising out of the construction of the building; taking care of such hazards as sidewalk accidents, street blockades, particles falling from the building and other casualties. It is a simple matter for the owner to incorporate his interest in such a policy with that of the contractor and in this way both the owner and the contractor will be jointly protected.

When the erection of the building commences a fire insurance policy should be drafted to cover the interest of all parties concerned, designating their interest in the contract, specifically mentioning the share of the owner, the builder and holders of any mortgages. This policy should also specify that all materials and supplies on the ground, intended for use in the construction of the building, are covered by the policy, and also that when the building is completed the policy shall continue in force until its expiration date for whatever occupancy is intended for the building. This is essential because buildings occupied for dwellings take a lower

premium rate than buildings occupied either wholly or in part by mercantile or manufacturing organizations.

The matter of securing the proper forms of insurance is one to which the majority of persons do not give sufficient care and attention. If one holds an insurance policy that is properly drawn there should be no difficulty in the adjustment and the policy holder should be reimbursed to the full extent of his loss. However, unless the person who has his property insured takes the time and care to fully understand all of the terms and conditions set forth in the policy, he is likely to find that he has not covered his possible losses to anything like the degree he supposed when he purchased the insurance. There is usually a lot of very fine print on insurance policies, as is also true in many other forms of contracts — it takes longer to read and understand fine print than the bolder lines — but such a reading and understanding will often prove profitable.

It is often estimated, in broad and round numbers, that the average single residence will cost about $1,000 per room.

Along this line, and merely by way of giving a basis for comparison with the plans we may have in mind for the building of our homes, we will consider a home for a small family, built on a plot 24½ by 29 feet. This house has a generous living room with a fireplace, a comfortable bedroom, a convenient kitchen with breakfast nook, a screen porch with stationary tubs

and ironing board, a nicely arranged bathroom, and a nice front porch on which to hang a swing hammock.

The various items of this house, which, on the basis of $1,000 per room, should cost approximately $3,000, are as follows:

Building permit, $18; foundation and piers, $65; cement walks and steps, $55; chimney, $50; rough lumber, $395; finish lumber, $60; sash, doors and glass, $150; carpenter labor, $500; screens, $30; plumbing, $260; sheet metal, $25; plaster and stucco, $415; sewer connections, $35; floor furnace, $35; electric wiring, $85; electric fixtures, $60; hardware, $75; hardwood floors, $135; composition drain boards, $18; ironing board, $6; shades, $25; mantel, $30; painting and tinting, $200; contractor, $275; plans and specifications, $25.

The total of these figures is $3,027 — to which should be added a supervision fee of $100, making a total of $3,127. While this supervision fee is optional, and may be omitted, the owner of the house will find the money well expended, because it will guard against the inclusion of inferior materials or workmanship in the house in places where such inferiorities will not show after the building has been completed, but which might shorten the life of the place or add to its maintenance cost.

The lot has been selected and purchased; the plans for the house discussed from many angles and finally

decided upon; the financing is arranged; the contractor chosen and properly bonded; the materials have been delivered to the grounds, and with the assistance of carpenters, masons, electricians and plumbers, have gradually been transformed into the plans we had in our mind's eye at the beginning; the house is completed and all the payments have been made. All these things have been done, but still we do not have a home. We have merely a house, built according to our plans, upon a lot of our selection. It does not become a home until we have moved into it and actually commenced to live there.

And the manner of our living, the enjoyment, the pleasure, the comfort, the pride we take in our house, all contribute to the making of that intangible thing known as the "home atmosphere." It is the home atmosphere which decides whether the house is a place in which the good wife shall find happiness, whether the husband shall be willing and eager to return to it after a day in business, whether the children shall find it a more enjoyable sanctuary for playtime hours than the neighbor's yard, the street, the public playground, or the corner movie.

Conveniences and comforts in the home play a large part in these conditions. Particularly is this true in the case of the housewife, for the home is her laboratory — the place wherein she utilizes her knowledge of the science of happy family rearing. If it be so arranged that she shall be able to exercise her skill with a mini-

mum of effort then shall her product be of greater measure and worth.

There are many conveniences and comforts which may be provided at costs readily absorbed by any average family. Little things which make the entire difference between drudgery and easy housekeeping. Provide these things for the housewife and she will have more strength and time to devote to contriving ways for the happiness of the other members of the family.

Now that we have the house of which we have so fondly dreamed — and for which we have been exercising thrift and savings and good buymanship these many long days, let us not forget that we shall get out of this house precisely as much as we put into it — no more, no less. If we make it happy by reflection of our own happiness and our consideration for others, we shall be paid large dividends of happiness in return. Our house is to be a home — a real home — not merely a place in which to live for a while — or a place to stop until we can find someone who will buy it from us at a profit. Patriotism is only the love of home on a large scale — we must first be patriotic to our own little nest before we can be patriotic toward our land.

Chapter Seven

IMPORTANCE OF ADEQUATE INSURANCE

LET us look into the matter of insurance a little and see wherein it applies to the thoughts we have in mind.

Many of us now in possession of policies are not aware of the standing they give in the matter of credits. This is a particularly valuable consideration in view of the fact that 90 per cent. of the world's business is done on credit. Nor are we aware, to a large degree, of the uses to which life insurance policies may be placed in assisting us toward home ownership or the launching forth into productive business ventures.

The value of credit cannot be overestimated. It is the foundation of all business. Money invested in insurance not only purchases a good return on the investment, but in addition marks the investor as a person of careful integrity and pays large dividends in credit confidence.

A. Barton Hepburn, chairman of the board, Chase National Bank, New York City, once said: "When a man comes to us to borrow money, we want to know how much life insurance he carries; not so much

because of its bearing upon his financial power, but as an indication of his type of mind; for the type of mind that induces a man to insure his life is the type of mind that makes for success in business."

It is impossible to estimate the extent to which home-purchase loans are supported by insurance policies. Banks deal largely in non-collateral loans of small amounts. Many college educations have been made possible by character loans supported by life insurance.

Life insurance plays an important part, too, in financing of business ventures. Financial institutions never want to take over the physical assets of a client. Therefore, the business man who protects his business associates against loss, in the event of the directing force being removed, is the one to whom the greatest consideration and lowest rates of interest are accorded by banking institutions.

It is estimated that 75 per cent. of the value of any business is found in the brain power of the man who controls the business. When the business is protected against his removal its solvency is assured and its credit more firmly established. Partnership agreements protected by life insurance are more likely to prove successful, and less likely to prove costly to the surviving partner and the creditors, than such business not so fortified.

The one-man business needs credit insurance even more than the partnership or corporation. Such a business is usually less able to comply with collateral loan

requirements, and financial institutions cannot safely advance capital for growth when the security is based only on the human equation.

"A contented mind is greater than great riches," according to The Book. This element of contentment is one of the big dividends paid by investments in life insurance. If we cannot consider life insurance in any other form, at least it will pay us to consider it from the terse description which has sometimes been given to it, as the business of "buying money for future delivery."

There are five general hazards to which we are all liable — hazards which curtail earning power, and which, when they come, will knock even the most carefully planned budget into a cocked hat. The five general hazards are: Illness, unemployment, accidents, old age and death. There is some suitable form of insurance for every individual to provide protection against these hazards.

In the majority of instances the same insurance policy which provides protection against losses due to illness will also protect the insured against the costs of accidents.

Old age is fraught with all of the other hazards and seldom comes unaccompanied by illness, accident or unemployment. For the hazards of old age there are the myriad forms of term, endowment, and income policies written by the reputable insurance companies throughout the land.

Life insurance — of whatever type it may be — is of itself an excellent protection against the losses of unemployment, because of the credit standing and the borrowing power it gives to the holder of the policies.

Concerning death — the passing away of the person who has assumed the obligations of home building. Let us consider, for just a moment, the possibilities confronting his family for need of protection against this certain hazard. Of 10,000 married men able to pass the medical examinations at the age of 25 years, we find that within one year there will be 80 widows — in five years 410 widows — in 10 years 841 widows — in 20 years 1,682 widows.

Think about these things.

The majority of home builders have to borrow money for the building of the house — the deferred payments, where the place is purchased under contract, constitute a mortgage, or represent borrowed money. Sometimes there are two or more mortgages on the property, according to the amount of money the home builder has found necessary to secure for this purpose. There is an insurance policy which guarantees the payment of the principal and interest of such mortgages — and these policies have this further advantage, that if the home builder completes his payments from his earnings the home is clear of debt, but if he dies during the period of the mortgage, the debt is not only paid in full, but his family receive an excess cash payment equal to the

amount he has paid on the principal of the mortgage. This is a plan worthy of the attention of all home owners who are carrying mortgages.

There is another type of policy which may be secured at low cost during the early years of the home owner's life, which will give him an assured monthly income for the balance of his life, from the ages of 50, 55, 60 or 65 years — or if he should die before he reaches the age set, the full value of the insurance will be paid to his family.

Then there is the endowment policy, which is really an insured savings bank account, which assures of competency in old age, the payment of all debts at death, and ample provision for dependents.

The annuity form of policy provides a safe form of investment for elderly persons, who should take no risks with their money, but who need a high return to live on.

Another form of policy which meets with increasing approval from husbands is the one known as the 6 per cent. income policy. This pays to the wife 6 per cent. of the sum insured as long as she may live after the husband, and then, at her death, pays the full sum to the children.

Not all forms of policies are best suited to the needs of all persons, but there is a form of insurance policy particularly fitted to the needs and the purpose of everyone. The way in which to determine the selection of the policy is to present one's particular problem to

the accredited representative of an insurance company of good standing, and secure his advice.

In planning the financial program, a knowledge of where one will reach the peak of efficiency and possibility of accumulations will be of help to many of us. As a guide for this sort of analysis of our personal financial possibilities, a survey of the accumulations of more than 20,000 individuals, based upon information supplied by 1,000 bankers and insurance men, has been made by Joseph J. Devney. Mr. Devney's survey has been divided and classified according to many different occupations. We will consider those more generally adopted by the majority of home owners.

Let us see what happens to different men, financially speaking, at different ages of their business career.

The field of manufacturing attracts many persons. The survey indicates that the financial accumulations of the average manufacturer grow but slightly during the 10-year period between his 25th and 35th birthdays. From the 35th to the 55th birthday the rise of accumulation value is quite rapid, and the average manufacturer will have reached his financial peak at 55. From this point onward his financial standing is on the decline — at 65 his accumulations will average about what they were at 50; at 75 they will be less than they were at 45. Statistical records show that 30 per cent. of the widows of manufacturers are either working for their living or are dependent upon others.

Salesmanship holds a great attraction to the "live-

wire" young man. His accumulations mount rapidly between the 25th and 35th birthdays, advance slightly during the next 10 years, and then take another rapid upward spurt between 45 and 55, at which time the peak is reached. The decline of the financial condition of the average salesman is rapid — at 65 his position is about the same as it was at 30; at 75 he is down to the point at which he started at 25. More than 80 per cent. of the widows of salesmen either work or are dependent.

In the field of teaching, which includes college professors, the surveys shows that the peak of prosperity is reached during the forties and then commences to decline, and that a considerable percentage are dependent in old age. Approximately 80 per cent. of the widows of teachers and college professors are dependent or work for a livelihood.

Dentists, as a profession, show the following average conditions: The rise in financial position is quite rapid during the 20-year period between the 25th and 45th birthdays. It increases but slightly in the next 10 years and then begins to decline. At 65 it amounts to about the same as at 33, and at 75 it averages about the same as at the age of 30. More than 66 per cent. of dentists' widows are dependents or workers.

Merchants, as a class, rise rapidly between 25 and 35, advance slowly for the next 10 years, and then shoot upward again until the peak is reached at 55. From this point on the slide is down hill at a fairly even rate

— at 65 being approximately the same as at 45, while the 75th birthday finds the average to be about the same as it was at 27. About 50 per cent. of the widows of merchants have to work for a living or are dependent upon their children.

Contracting is a hazardous business because, while it affords opportunity to make money quickly, it also provides many unsought opportunities to lose money quickly. The financial rise of the average contractor is most rapid between 25 and 35, the peak is almost reached at 45 and continues at a practical level until 55, when the decline begins. At 65 the financial position is about the same as it was at 30, and at 75 it is about where it was at 27. More than 50 per cent. of contractors' widows are working or dependent.

In the case of farmers the survey shows that the financial advance is slight but gradual between the ages of 25 and 45, then it shoots up remarkably fast for 10 years to the peak. The decline is approximately at the same rate as the rise, at 65 it stands about at the same point it occupied at 45, while it is down to about the same point it was at 35 when the 75th year is reached. More than 66 per cent. of the average farmer widows are either dependent or working for a living.

As we have noted in the periods at which different vocations reach their average peak of financial standing, there is a time in each man's life when he can feel he has reached the average high point. With this thought in mind we can make for a base of computing

the amount of insurance we should carry at different periods of our lives.

From this we will find that insurance should be purchased on a progressive scale. And from this angle of progression we get the following answers as to how much insurance the individual should carry — enough to discharge all of his obligations at his death, and leave a sufficiently large remainder to support his family at the standard of living to which the family is accustomed.

For the young man, just starting out on the road to home ownership and family leadership, a safe basis of computation would be an amount of insurance which will pay off the mortgage on the home, care for the funeral expense and other bills which may be due, and leave a balance which will permit the family to carry on with the same degree of comfort to which it is now accustomed.

As young men grow older they increase in experience and efficiency, and with those increases come an increase of earnings. Increased earnings permit a wider expenditure in the things which add to the comforts and conveniences of life. The use of these things raises the standard of living — increased standards of living mean more money necessary to pay bills.

So the young man as he progresses in his chosen field of business activity must consider the additional costs his family will have to meet — the additional obligations which come from a rise in the social scale — and

make adequate provision to meet these obligations in the event that his earning power is withdrawn from the family.

There is an easy base for such computation. Determine what the average monthly costs are at the present time. Then consider the average monthly earning power of whatever investments are owned at present and are likely to continue earning at this rate.

Deduct the amount of the average monthly investment earnings from the figure of the average monthly household expense. Then the amount of insurance which should be carried is an amount which will pay that difference regularly each month to the family.

This should be considered in addition to any special policies which may be carried for such purposes as guaranteeing the college education of the children, or other things of that nature.

The young man starting his first policy should adopt a certain definite insurance program and regard his first policy as the first unit of a complete and comprehensive plan which will consummate as rapidly as his income warrants. The ultimate aim of this program should be that adequate provision is made for every contingency that may arise to defeat his purpose in life.

Life insurance, like all other worthwhile things, can be made to produce its greatest and most beneficial results only when it is purchased according to a definite plan, which has a definite objective in view.

Chapter Eight

ANALYZING SECURITIES

THE average home owner of this country is a worker and a producer. This is shown by the tremendous record of savings bank deposits — the largest per capita average of any country in the entire world. The wise home owner is not content to let his money rest in the savings bank at the normal resting wages paid by banks for savings deposits. He wants to make his money work for him to the fullest extent of its earning capacity. He seeks investments.

When it is known that a person has a surplus of funds available, from savings, keen buymanship, good management, or whatever other manner may be named, and is seeking avenues for the investment of those funds, there is no shortage of opportunities provided. The world is filled with persons who are filled with promises, and who have securities, good and bad, for sale to the person with a surplus. Sometimes these salespersons are not so particular as to inquire whether the money is actually a surplus, or is a portion of an emergency fund set aside by the thrifty against the proverbial rainy day.

Two simple truths, thoroughly accepted and ana-

lyzed, will keep away the element of loss and will lead any investor — large or small — along the lines which will prove productive and which will add to the possibilities of making the home all that human desire would have it be.

The first of these truths is this: The element of safety of securities grows less as the promised return from those securities gets larger. When extremely large or unusual returns are promised by the salesman offering a stock or bond or lease or other security so-called, it is perfectly safe to classify the offering as a speculation and not an investment. The ideal investment is the one which assures of the safety of both principal and earnings. Anything which lacks this element of safety is speculation.

The second truth to learn is this: No person can afford to speculate unless he can well afford to lose the money. When one speculates one takes a chance — a chance to earn an abnormal return, or a chance to lose the money put up.

Supplementary to both of these truths is another truth — a regularly paid, small interest, semi-annually compounded, has made more persons financially independent in their old age than all the bonanza propositions ever presented by high-pressure salesmen or fancifully colored stock certificates, vending machine licenses, oil well units or "undivided interests."

At no time during the early years of the homebuilding program can the home maker afford to speculate.

He cannot afford to speculate because he has too many obligations. These obligations make it necessary that he so husband his resources that he will be able to meet the obligations as they fall due, provide against hazards and contingencies, and assure that there will be a sufficient reserve fund with which the family can carry on in the event of his earning power being curtailed or ceasing altogether.

And, by the same token, no home maker can afford not to invest. He must learn the art of making his earnings stretch to more than cover his needs, to provide a surplus fund, and to make that surplus fund work at the enjoyable task of growing into a larger and larger surplus fund all the time. Financial independence at 50 is the goal of most men in the business and professional worlds. Financial independence at 50 can come about only as a result of proper investing.

If we are to build up a competency — a financial structure which shall permit of reaching our goal of independence — it is necessary that we learn the care and use of money. To do these things we must first have some money to care for and to utilize.

There can be no better way found in which to make the initial accumulation and to find out for a certainty that money will actually make money than by a utilization of the savings bank. An account in a savings bank, to which deposits are regularly added, should be the foundation stone of our financial structure. Such an

account, started upon the proper basis, can be made to accomplish many things in addition to giving us the training we need in care and utilization.

For instance, the lowly savings account, with its nominal earning power, can be made to assist in the reduction of the mortgage cost of the money we still owe on the house which we have built for our home. This shows a way in which it can be utilized to make money.

Showing how a consistent plan for savings may wipe out the mortgage on the house, and at the same time decrease the cost of the mortgage, Emo Bardeleben of the Hellman banks says:

"A person negotiates a mortgage loan through the bank or a real estate broker's office, working in co-operation with the bank. An agreement is entered into by which the borrower or mortgagor takes out a savings plan book, functioning as a sinking fund, for the full amount of the mortgage.

"This systematizes, facilitates, and assures the prompt payment of the mortgage. In addition the mortgagor profits by the transaction.

"For example: The mortgage is for $3,000, for three years at 7 per cent. Interest for three years amounts to $630 — capital and interest equal $3,630.

"The mortgagor takes out a three-year savings plan book for $3,000 — and deposits at a weekly rate of $18.09. This amount, added to a weekly saving of $4.04 to provide for the 7 per cent. interest on the

mortgage, makes the weekly obligation $22.13 — or a total outlay for the three years of $3,452.

"This is a saving of $178 — in addition to the assurance of being able to meet the obligations on time and in full. The amount of the savings, as will readily be seen, is approximately 2 per cent. of the amount of the mortgage. Thus the saving affected actually reduces the cost of the mortgage money from the customary 7 per cent. to 5 per cent. — making the plan productive of the cheapest mortgage money in this territory.

"Furthermore, the general adoption of the plan would reduce the necessity for foreclosure proceedings to a negligible factor. These are surely matters of importance and interest, not only to the mortgagor but also to the bank and real estate broker. The method is simple and in most cases is easily adapted by banks and co-operating real estate brokers."

If the savings account is not needed for the disposal of a mortgage, in the manner suggested by Mr. Bardeleben, it may be just as advantageously utilized for the accumulation of an investment fund which can be made to produce greater earnings as the owner gains knowledge of the selection of investments — with the further advantage that it is always available to meet unexpected contingencies.

One of the best, and at the same time most necessary, investments the home owner can make is a safe-deposit box. The annual rental cost of safe-deposit boxes is

very small as compared with the value of the protection they afford, or the stimulus they provide.

First of all, even before the home owner becomes an investor in stocks, bonds or other securities, a safe place for the keeping of such things as insurance policies, deeds, contracts, mortgages, and other valuable papers, is a real necessity. A hole behind a loose brick in the fireplace, a tin lock box hidden in the pantry, even a modern office safe, will not provide the same security and safety for the keeping of valuable papers as is afforded by the safe-deposit box.

In addition to keeping all securities in a safe-deposit box at all times, excepting when they must be taken out for some specific purpose, the owner should keep two complete lists giving the descriptions of the securities.

One of these lists may be kept available for reference, so that the owner can determine the exact description of any security without making a special trip to the vaults, or for checking in the manner mentioned on account of bonds being called for payment.

The second list should be placed in the hands of the investment broker or counselor from whom securities are purchased, in order that full advantage may be taken of the service provided by reputable investment houses for their clients. With the duplicate lists in its possession, any reputable investment house will keep a careful check on the securities and will be able to advise when changes in holdings are either desirable

or advisable because of changing economic conditions.

As we get ready to place our surplus funds into investments which we are hopeful will cause those funds to assume greater proportions, we find ourselves confronted with one question more than any other. "How shall we be able to determine between the good and the bad?"

There are a number of tests by which an investment offering may be measured, but to be able to use the "yardstick for measuring investments" with the greatest accuracy, requires some time and some training. Such training is usually secured by experience in buying securities — and often it is a costly training to the beginner in the field of investment. Until we have had the experience — the actual knowledge which comes from the buying and selling of securities — it will be well for us to follow a rule, a very simple rule, which will guard us against loss.

Let us decide, then, at the very outset of our investment career, not to spend a single penny of our money for any investment offered us without first securing the advice of a reputable, wholly disinterested third person.

The adoption of this rule would save American investors a large portion of the billion dollar annual loss they now experience. The promoter and salesman of the fake security has but little love for the slogan "Investigate before you invest."

The world is filled with "get-rich-quick" propositions. Despite the gigantic loss each year experienced by persons who place money in these things, new ones spring up, with a new set of specious arguments and a new corps of suave salesmen, to garner the next year's crop of suckers — there would be no suckers if persons with money to invest would secure reliable advice from men of unquestioned integrity who had no connection with the enterprises selling the so-called securities.

A safe rule for safety in our initial investments is to choose an investment house of unquestioned integrity, place our cards upon the table, get the best advice we can — and follow that advice.

Safety should be the first and only consideration of the home owner at the outset of his investment career. This safety should include not only the safety of the capital fund he places in investment, but also the payment of earnings definitely and regularly. The size of earnings or interest is of secondary importance until the investor has learned by experience how to select securities.

From the standpoint of safety, both for capital and interest, bonds are held to approach as close to the ideal of investment as any security available to the investor. It is agreed by men in all departments of the financial world that the inexperienced investor should make his beginning in bonds rather than stocks.

One can well appreciate this advice when the dif-

ference between stocks and bonds is considered. The difference adds to the factor of safety.

When one purchases stock in a corporation he occupies the position of being a partner in the business. He puts his money into the company with the hope and the expectation that the earnings, or profits, of the company will increase the value of the stock he has purchased, as well as to pay substantial returns in the form of dividends. In well managed organizations this hope is often fulfilled. But the purchase of stock also brings with it the privilege of participating in losses as well as gains, because stockholders are responsible for indebtedness of the organizations in which they have holdings.

On the other hand, a bond is a promissory note, issued by a corporation, to repay the amount of its face at a certain definite time and to pay a certain definite rental for the money during the period of the loan. The holder of a bond is a creditor of the corporation and, as such, has a claim upon its tangible assets in advance of the stockholders. Usually bond issues of going concerns have physical property behind them as security of value considerably in excess of the amount of the bond issue.

There are many types of bonds — so many types of bonds that the unskilled investor should not attempt selection for himself unaided. Bonds should be purchased by such persons only upon recommendation of investment brokers of unquestioned standing and integrity.

Considered from the standpoint of safety alone, Wirt D. Hord, a man of long experience in the investment field and the author of "Lost Dollars," gives the following classifications in order of preference.

1. All United States obligations such as Liberty bonds, treasury bonds, United States treasury notes and certificates of indebtedness and war savings certificates.

2. Federal land bank bonds, joint stock land bank bonds.

3. State, county, city, school or road district bonds, street improvement bonds and irrigation bonds. In these classes it is advisable to know something concerning the earning power of the property behind the bonds, but more important still to determine first the standing of the investment house having them for sale.

4. Foreign government bonds made payable in America in United States gold, recommended by investment houses of unquestioned standing.

5. First mortgage railroad and public utility bonds that are listed on a recognized exchange.

6. First mortgage industrial bonds of old-established, successful manufacturing companies, listed on recognized stock exchanges.

7. First or second mortgage bonds of operating railroads, public utilities, well established, successful manufacturing companies.

8. Real estate bonds, where the mortgage is first lien and where the loan has not exceeded 60 per cent. of a conservative appraisal, and the improvements show

conservatively a sufficient earning power to liquidate the loan in not over 12 years.

9. Debenture bonds. These are wholly dependent for their safety upon the standing of the institution issuing them, because they are not backed by physical property.

Next to bonds in point of safety, the preferred stock of companies with good earnings records are advised by financiers as desirable investments for the person seeking to establish a foundation for financial independence.

A preferred stock is a stock which, as its name implies, has preference over the common stock of the same company. It has a claim upon the property and earnings of the company ahead of the common stock, but follows any claim in the nature of bond issues or floating debt.

As a general rule, in the case of winding up the affairs of a company the preferred stockholders have the right to be paid out of the assets of the company before the holders of the common shares receive anything.

These are the factors of safety which make the preferred stocks preferable to the common stocks for investors who are more concerned with the security of their funds than in the potential increase in value or earning power.

Many investors choose preferred stock because they provide a certain definite return. For instance, in the case of a 7 per cent. preferred stock, no dividends can

be paid to the holders of the common stock until after 7 per cent. has been paid on the preferred shares. Of course, in the case of well established and highly profitable companies, the pre-determined rate of interest on the preferred stock may be much less than the percentage possible to pay out of the earnings to the holders of the common.

In the case of "cumulative" preferred stock, if the earnings of the company are not sufficient to pay the indicated interest during one year, the difference is carried on over to the next year and becomes due and payable to the holders of the preferred stock before there are any funds available for distribution among the holders of the common shares.

Preferred stockholders usually, but not always, have the right to vote at stockholders' meetings. In some instances the voting right per share is greater on the preferred than upon the common stock.

In stock ownership, whether it be preferred or common, the holder has a part ownership in the enterprise. He is never a creditor, but always, to all intents and purposes, a partner and he is supposed to knowingly assume the risks of the enterprise. The corporation from which a person purchases stock does not obligate itself in any way to pay dividends. The declaration or discontinuance of dividends are matters which remain entirely within the discretion of the board of directors — these directors are chosen by the stockholders to supervise the management of the company.

However, when the directors of a corporation declare a dividend, the full rate on the preferred stock must be made before making any dividend distribution to the holders of the common stock. Excepting for their priority over the common stock in the matter of payment of dividends and distribution of the assets in the event of winding up the affairs of the company, the preferred stock is really a junior security on which nothing need be paid excepting at the will of the board of directors.

But one should always bear in mind that the form of the security does not matter so much as the nature of the business behind it. Before investing in a corporation of any kind it will be well to assure that the management is good, that it has had a successful past and fair likelihood for a successful future, whether it is one of the leaders in its own line of activity, and whether the activity of the concern is essential and reasonably permanent.

The stocks worthy to be termed investments are those of going concerns, with a record of production and consistent dividends behind them — they are backed by organizations having tangible physical assets — they are prepared to submit properly audited and authenticated financial statements — they will stand investigation.

This constitutes one of the prime differences between the stock which may be considered in the light of investment, and the offering which, upon analysis, proves to be speculative. The salesman of the speculative offer-

ing forecasts future earnings in glowing detail — but he quite skilfully evades questioning as relating to past records. Instead of giving concrete facts concerning the history of the company offering the stock, he will dilate at length upon the tremendous earnings and fortunes made by other organizations in the same general classification of business activity.

Here are a few questions which will quickly disclose whether stock offered is an investment or a speculation:

Is the business large, indispensable and well established?

Has it a better future than past?

Is the business one with enough reputation to be free from injurious competition, without being so monopolistic as to incur hostility?

Does it regularly publish complete financial statements?

Has it a large earning capacity?

Have substantial dividends been regularly earned on the common stock?

Is the stock readily marketable?

All of these questions will be gladly, readily and willingly answered by the reputable stock brokerage houses concerning any offering it may make to the public — and such organizations will probably supplement the asked for information with much other material of an informative nature based upon facts rather than hopes or expectations.

None of us, regardless of our training or lack of

training in the field of finance, would loan money to a stranger without being shown adequate security for our loan, or without being convinced by undisputable facts that the reputation of the borrower was good and there was a large likelihood of the money being paid back to us when it was due.

When we invest our savings in bonds we are lending our money to a corporation — we are lenders and the corporation is the borrower. Usually the corporation is a stranger asking for a loan and we have a right to ask the same questions we would ask if we were making a loan to any other stranger.

Suppose the stranger came to us and, instead of asking to borrow our money, he asked that we take our savings out of the bank and let him have them for the purpose of going into some kind of a business. In such a case we would want to know all about the stranger and the kind of business into which he purposes placing our money. We would be extra careful in our questions, and most insistent in securing perfectly plain and provable answers — particularly if we knew that we would be jointly liable with the man and any other person who put their money into it, for any debts which the business might incur.

This is precisely the position we occupy when we are approached to purchase either preferred or common stock in a company. We are giving up our money — not lending it — to some one else to use in business. Whether the money will be safe and whether it will pro-

duce profits depends, first, upon the skill, honesty, and experience of the men who will manage the business; second, upon the possible market for the goods or service of the company; third, upon the possibility of manufacturing, selling and distributing those goods or service at a profit; fourth, upon the availability of materials with which to manufacture the product or the service.

When we go into a business partnership with strangers — which is the thing we do when we purchase stock — we have a right to know all these things.

But whether we make our investments in stocks, or bonds, or any other form of security, a preliminary investigation and assurance that the company is well founded and secure, is not sufficient. Wise investors keep in close touch with the organizations in which their money is placed.

Often we have heard it said, "Well, I don't worry about my investments. I investigate them thoroughly before I part with my money. Then I just put them in my safe deposit box and forget about them. I let 'em ride. When I buy investment securities I buy them for all time."

This is a false sense of security and one which annually causes investors to lose hundreds of thousands of dollars needlessly. In the rapid growth of our country, in the ever changing, swiftly moving train of events, economic situations are constantly taking on a different tone and complexion. One invention hard upon the

heels of another. One development drives a previous development into obscurity. Our progress is on, on, on. There is no standing still. Everything moves forward — or drops out altogether.

National moods and styles of thinking and acting swing from one channel to another and in the swinging change the value of securities. Unusual profits result in the "calling" of bond issues — and bonds which are called by the issuing corporations cease to earn interest. This is true, also, of preferred stocks in many instances. Common stocks are affected by changes in organization and by mergers in the field they occupy. The stockholder who does not keep in close touch with the developments of the company is liable to lose valuable rights by reason of the neglect.

As has been pointed out previously, the corporation offering securities for sale which can not produce a certified financial statement is a good corporation for the beginning investor to avoid. Sometimes vendors of securities will tell the prospective purchaser that financial statements are but of little value in showing a true condition, because they can be made to show anything the persons who do the figuring want them to show.

This is but a poor excuse. The production of a fake balance sheet constitutes a serious criminal offense and the fake-stock promoter will not ordinarily care to assume the risk. Certified public accountants examine, under certain definite legal and ethical restrictions, the actual assets and liabilities of a corporation and certify

to the authenticity of the report for the benefit of creditors and persons holding securities in the company. Such financial statements, or balance sheets, as they are often known, give a brief, but comprehensive, picture of the affairs of the company at some particular time, such as the end of the fiscal year of the company.

But financial statements, as they are customarily drawn and prepared, mean but little to the average reader. Unless one be schooled in the intricate language and modes of accountancy, it is a difficult thing to analyze a financial statement and get a true picture of the company it represents, although the picture may be there for those whose eyes have been trained to see.

Poor Richard, I believe, was the author of the admonition that one should not carry all his eggs in one basket. Incidentally, Poor Richard eventually developed into one of the keenest financial minds this country has ever known — and for this reason, if for none other, his advice should be accepted for consideration at least. In the investment field the rule of not putting all of one's eggs in one basket — i. e., the rule of diversification of selection — is upheld by all successful financiers.

First of all, Uncle Sam is always in the borrowing field — with government securities always available, there is no excuse for a dollar to loaf for an hour. No investor, large or small, need ever hesitate to place idle funds immediately in the bond offerings of the United

States Government and let them remain there until he secures dependable information which will assist him in selecting other safe securities to return a higher rate of interest.

Then, in this matter of building up an investment program, let us accept, for the first rule of selection, that the backbone of all investment programs, large or small, shall be well-rated bonds. The bonds issued by the venerable Uncle Samuel enjoy the highest rating in the world of finance — they are looked upon as being more gilt-edge than the bonds issued by any other nation or corporation — sometimes they are referred to as being the "king-pin" of all bonds. True, the yield is not as large as may be secured from some other forms of securities — but the safety factor is backed by the reputation and integrity of the United States — and there are but few loyal citizens of this country who will demand better backing than this.

When the foundation stone of the investment structure has been laid by the purchase of at least one or two U. S. Government securities — for the sake of safety and an "anchor to windward" — the investor can then commence planning for a certain expansion, and in this expansion will come the diversification which will eventually assure of the highest equitable return upon his funds and the least likelihood of loss of either interest or principal.

Bonds of other than national issues may then be considered. In the class with good bonds the investor

may well consider certain preferred stocks and investment certificates which are hedged about with state supervision and restriction, such as those issued by well authenticated and conservatively operated building and loan associations.

Following the bond issues and carefully selected preferred stocks, the attention of the investor may range to common stocks of well established corporations which have a record of good earnings in the past and a fair assurance of continued success and prosperity for the future.

When one builds the bond section of one's structure it will be wise not to limit the bonds to issues of one corporation, or corporations in the same general field of activity. This condition holds true, also, in the matter of stocks, both preferred and common. The value of this diversification lies in the fact that all fields of human endeavor are not uniformly prosperous and some lines of business will prosper while other lines experience a non-profit season. Diversification in purchase of securities is really a form of investment insurance.

Before we enter upon the discussions relating to the specific investment programs which have proved most suitable for the different vocations and classifications of business and professional men and women, let us consider our general tendencies, as a people, during the six different age periods, which are sometimes spoken of as the six ages of investment. These considerations

will apply equally, in many respects, to both men and women engaged in the fields of productive business, and are somewhat enlightening because they show us the manner in which folks usually perform at different periods.

Up until the age of 30 years is considered the first stage. While this period should be devoted to preparation for the future and taking advantage of the experience and wisdom of others, it is seldom that we find much time or attention devoted to the sharpening of wisdom teeth. Experience of others is usually scorned during this period, although it should be the age of extreme caution. The youngsters have a way of being quite sufficient unto themselves and keep on making the same old mistakes over and over again until the folly is finally discovered. At this age the financial foundation should be a steady accumulation of high-grade bonds with, perhaps, a small percentage of preferred stocks of the best rating.

Between the ages of 30 and 35 is the second stage. The young folks get the first dawn of the day of knowledge through a realization that they have done quite a number of fool things in the past and almost resolve to avoid doing them again in the future. This is the period when real accumulations first begin. Good bonds, preferred and common stocks covering a wide range of industries, in companies which have good prospects for growth, are the stones in the financial structure during the second period.

From 35 to 40 is recognized as the third stage. During these years comes maturity and vigor, with the producing power approaching its peak. In this period some slight risks may be taken in the matter of speculative investments, but only with surplus funds. For the solid financing the investor may add some medium grade bonds of higher yield, preferred stocks, semi-investment industrials, railroads and utilities. At this period a few "specvestments" — midway between investment and speculation — may be acquired if earning power is assured.

From 40 to 45 is the period when a bit of care should be taken. It is nearing the end of the average accumulation period. There is small chance of earning power increasing beyond that now in evidence. For the well-to-do some speculative ventures are permissible, but those still dependent upon their earnings will do well to confine themselves strictly to high-grade investments during this period.

The five years prior to the fiftieth birthday marks the fifth stage. Money lost during this period is seldom recovered because the accumulation period is now past for the majority of persons. Good bonds, preferred stocks and the best of common stocks are the only permissible investments for the fifth stage, unless the money so spent can be lost without bringing worry in any form.

The sixth stage in the investment age lies between the fiftieth and sixty-fifth years. This is a period when

caution must be exercised to the utmost and the accumulations of a lifetime well guarded. Mental faculties are not so keenly discerning now as during the earlier periods and the investor must confine himself to those things which will make for security of principal rather than large earning power. Bonds of the highest type are the only safe investment during this period, and even then the investor should not act in the matter of making purchases unless dependable advice is available.

"Industrials," the securities issued by manufacturing companies, may or may not be a good investment for the beginning investor. Generally speaking, the stocks in industrial corporations may be said to be "business men's risks," but after making a careful study of all the factors, management, earning power, assets, general trend of the market, etc., the average investor will find it advisable to consider investing a portion of his funds in this class of securities.

While no class of securities has attracted greater attention in the public mind during the past few years than the industrials, yet the fact that their permanent value is not fully established in the minds of investors generally is shown in that the stocks and bonds of many such corporations may be purchased at prices to pay large returns upon the money.

True, in many instances the industrials are largely speculative investments, by reason of their comparative infancy in the general economic and financial scheme of this country. Until they have been through

a long period of business depression, as have the railroads, it will be impossible to determine their permanent investment value. At the present time industrials, as a whole, may be purchased to greater advantage than the securities of railroads, because of the greater risk entailed. The newer industrials must go through an experience similar to that of the "rails" before they can be classed as seasoned investments. Those which weather the business storms may be selected as good investments.

The real value of an industrial depends upon the permanent successful conduct of its business and a definite understanding of its earning capacity. The class and character of the goods manufactured deserves serious consideration upon the part of the investor — the value of the product to the community as a whole, as well as the necessity for the continued operation of the plant. The ability of the company to control its particular line of business, either through the control of raw materials, or otherwise, is also a dominant consideration in the securities of industrials as investments.

In investigating industrials from the investment standpoint the careful investor will, of course, require that he be shown the most recent financial statement of the corporation. In considering this statement it will be well to pay particular attention to the valuations given to the manufacturing plant itself, as well as the credits taken for patents, good will, etc.

In many instances these items will permit of consid-

erable discounting by reason of the fact that the plant and machinery may be almost without value for any purpose other than the manufacture of the particular product of the corporation. Goodwill and patents have very little value except so long as the corporation is prosperous. Neither the goodwill nor the patents of a bankrupt company would sell for very much if the company were forced into liquidation.

Before purchasing the stock of an industrial corporation it will be well for the investor to know the amount of the bond issues outstanding and the floating debt of the company, as well as the amount of preferred stock which will draw dividends ahead of the common shares. It must be remembered, always, that these items constitute liens upon earnings of the company, which come ahead of any possibilities of dividends upon the common shares.

In considering industrials, as in considering all other forms of investment, let us never forget that all students of finance are agreed that it is easier to make money than it is to keep it, and govern our purchases accordingly.

The stocks and bonds of the public utility corporations offer another form of investment.

In the United States to-day there is more money invested in electric light and power plants and gas properties than in the steel and iron industry, including rolling mills, or the packing industry, or the textile industry. Only agriculture, the railroads and the man-

ufacturing industries groups exceed the combined capitalization of the electric and gas companies. Lately they have been gaining rapidly on the railroads.

Perhaps the most significant thing about the remarkable growth of public utility investments has been the widespread distribution, in recent years, of the utility stocks and bonds among the customers and employees of the companies. It is estimated that there are, to-day, no less than a million holders of stocks of power and light companies alone, the majority being small holders.

This wide distribution has not only been responsible for the great financial strength of the utilities, but, even more important, it has brought about a more intelligent and appreciative public attitude toward the industry. We now have a public sentiment toward the utilities ranging all the way from sympathetic understanding to enthusiastic support. This is in direct contradistinction to the public attitude relating to corporations held before the days of general and widespread ownership of the securities of the corporations.

As a matter of actual fact, because of this wide range of ownership by the million or more stock and bond holders, the public utilities, while still private corporations, are in a real sense publicly owned and perhaps never in their history has public opinion been more favorable to them. Much of their present strength lies in this important fact.

For the average individual investor it is difficult to

find any security which combines in a more satisfactory manner all the elements of a desirable investment than the bonds of well located and ably managed public utilities. In general, sound power, light and heat bonds yield more than railroad bonds of the same grade, and compare favorably with industrial bonds in this respect, though having some advantages over the industrial, particularly in the stability of their earnings.

To study the fundamentals of investment means, briefly, five things, says Roger Babson, and enumerates the five things in this manner in his work, "Business Fundamentals."

"1. When purchasing, select a broad list. Don't put all your eggs into one basket. And neither should you use baskets that you know have holes in them just for the sake of having more than one. Select securities which you know to be good, but don't depend upon any one. Always keep your funds invested in at least 20 companies, and 8 or 10 different industries.

"2. Buy stocks during panics. This will mean that you are buying when other people are not buying. You will buy during the dark days when your friends think that business is going to the bow-wows. Remember that when you buy something for nothing it is usually worth what it costs. When you do what everybody else is doing, you generally lose money. Hence, buy stocks during times of panic or depression. The rest of the time be content to study fundamental conditions, sta-

tistics and charts, preparing for the opportunities which will some day be yours.

"3. Pay outright for everything you buy. Don't buy on margin. Keep away from studying the tape. You may have to borrow money for your regular business, but don't borrow any money for the purchase of securities. Only the man who is free from debt knows what it really means to be healthy and happy. You may have to get in debt at some time in the purchase of goods, but unless you are a dealer in securities never get into debt for the purchase or sale of securities. That means, buy outright and never sell short.

"4. When the period of prosperity comes, sell all and liquidate your holdings. Get your money into cash and keep your cash in liquid form. Many know when to buy but fail to know when to sell. It sometimes takes more courage to sell during a period of prosperity than to buy during a period of depression. A student of fundamental conditions knows when to do both. The man who watches the business trend will know when to buy and when to sell.

"5. When making permanent investments for security and yield, bonds are most desirable.

"Don't take flyers. Avoid gambling. Shun tips of all kinds. Remember that the only way to make money in the stock market is by rendering service, and the only way to render service is to store up money when it is plentiful and then use it when it is scarce. This means that in a period of prosperity it is better to

buy nothing at all, but let your money accumulate until it is needed. Borrow the process of the iceman, who cuts and stores ice in the winter when it is a nuisance, knowing that before the year is over people will be crying for it. Hence, I say, when business is good, speculation rampant, and everybody is making money in the stock market, keep out of the market. Be content to let your money accumulate, because the day will come again when that money will be in great demand."

Chapter Nine

INVESTING ACCUMULATED FUNDS

THE need of a permanent policy for investment of accumulated funds is being more and more recognized by those who have money to place out where it will work to the best advantage.

In planning an investment policy or program for accumulated funds it should be the desire of the investor to make the plan a broad one which shall not be intended for any one moment, but which will look to duration over long periods of years.

Moody's Investors Service has formulated such a permanent investment policy, concerning which it says:

"This plan consists principally of three parts. These three are, first, the rotation of investment holdings in accordance with financial and business conditions; second, the diversification of one's holdings, whether they be bonds or stocks; and third, the scientific use of ratings and of economic indicia in the making of one's selections.

"As an instance of the importance of rotation, it would be literally suicidal to sell out high grade short term bonds at the top of a bull movement and invest in common stocks; but at the bottom of a bear movement

the same sort of an exchange in part, anyway, might prove highly beneficial. Diversification is the most reliable means of avoiding the penalties of individual mistakes and of obtaining the benefit of the trend of the security market. Bond and stock ratings in turn can very readily be used in the process of selection and diversification."

In order to follow the plan outlined by Moody's, the investor must become acquainted with the cycle of the security markets and the movement in valuations of the different types of securities held. This cycle, or four different periods experienced by general business and securities, is expressed in the following manner: "The security markets go up the mountain side in times of business expansion; go over the top of the mountain in times of boom or inflation; go down the other side in times of forced liquidation; and gradually swing through the bottom of the valley at the depth of business depressions. Both general business and the security markets perpetually swing through these four stages, or movements, or developments in some sort of irregular fashion. The stages are not sharply defined, and it is often difficult to tell where one ends and the next begins; but the investor who wishes to get the best results must adapt himself and his holdings, so far as possible, to these four markets."

The average investor does not have the time, nor the inclination, to so thoroughly study the trend of the times, the precise positions of the economic cycle, or

the four stages of the securities market, as to give him the greatest advantage in securing stocks and bonds at the precise moment when they will redound to his greatest advantage.

Unless he be so situated that he can have the services of a dependable investment counselor, the chief consideration for the average investor is safety for his placements.

As a guide to the safety factor — and one which will permit of the diversification so necessary in all well-balanced investment programs, it will be interesting to note the instructions given by Andrew Carnegie to the trustees of his estate, in his last will. They are as follows:

"I authorize it (the trust) to make new investments of the money coming into its hands in such securities as are sanctioned by the laws of the state of New York as proper investments for savings banks; or in bonds secured by first mortgage on railroads in the United States upon the common stock of which dividends shall have been paid for at least two successive years immediately preceding the time of such investment; or in any other class of bonds of any trunk railroad in the United States in high credit, which has paid regular dividends on all its stock for at least five years immediately preceding such investment; or in the preferred stock of any such company or in the bonds or preferred stock of any industrial corporation in the United States which shall not have failed to pay dividends on all of its

stock for at least five years immediately prior to such investment; or in bonds secured by first mortgage on improved real estate in the United States worth in the opinion of competent appraisers a clear 50 per centum more than the amount of the mortgage; or in certificates of established bond and mortgage companies, or trust companies secured by deposits of specific bonds and mortgages answering the foregoing requirements."

In view of the fact that the canny Scot started out as a poor lad and found his initiation into the business world with a salary of $1.20 per week — and was able to amass quite a sizable fortune, it would appear that his instructions to the trust company, which were the sum total of his financial experience during his life time, might be worthy of serious consideration by the investor when he is beset on every side to place his funds in sure-things which will net him a profit of 100 per cent. or better.

In addition to the rules laid down by the steel king, the investor may find it advisable to apply further tests to the securities offered him. In consideration of bonds he may well ask the following questions, and let his decision to purchase depend upon the ready forthcoming of satisfactory answers:

How many times have the interest charges been paid in the last five years?

For how many years has the corporation paid interest without default?

Is the bond followed by other strong bonds or preferred and common stocks?

However, there are many new issues of bonds which will prove admirable selections for the investor to incorporate into his program for accumulated funds — and there are stocks, both preferred and common, upon the market which cannot give satisfactory answers to the foregoing questions, and which will not come within the category established in the will of Carnegie. Yet many of these newer issues may rightly have a place in the permanent investment program. They may, in fact, prove more valuable, and have a greater potential growth in worth, than some of the tried and tested issues.

Accumulated funds should be invested into not less than five different portions. The relative size of these portions will depend upon the amount of the whole fund.

The five divisions or portions are: Bonds, preferred stocks, investment common stocks, semi-investment common stocks, savings bank reserve.

Generally speaking the bonds are the foundation, or the backbone of the investment schedule, and because this is true, the largest portion of the investment fund should be devoted to their purchase. The largest amount of this portion will be devoted to those bonds which have the largest degree of safety, although this high degree of safety may make for a smaller earning power, or interest yield. Some of the newer

issues, equally secure, but bearing a higher rate of interest, will make up the remainder of the bond portion.

The preferred stocks will be those of well seasoned industrials, rails, commodities or utilities. This portion of the investment fund will be almost, but not quite as large as the amount devoted to the purchase of bonds.

The combination of the bonds and the carefully selected preferred stocks will give the investor a program in which more than half of his entire accumulation is placed in securities which are ordinarily free from wide market fluctuations, which have a ready marketability, and which provide a good collateral value against emergency conditions where borrowing may be either necessary or desirable.

The amount permissible for investment in the common stocks will vary from 25 per cent. of the total upward, according to the size of the investment fund.

Savings bank reserve will amount to not less than 10 per cent. of the total in small accumulations, down to 2½ per cent. where the whole fund reaches to sizable proportions.

The smaller the size of the accumulation one has for investment the more necessary it is that the investor stay close to the shores of safety, because upon the results of investing that surplus depend to a large degree his ultimate success or failure. The person with only a few thousand dollars to invest is not justified in

taking chances for large earnings to the same extent as the person with several times the amount.

It must be understood that the suggestions made in the following plans for investment programs contemplate the use of money over and above that needed for the operation of the home or for life insurance. If insurance has not already been included among the investments it will be well to divert sufficient of the total fund to such uses, particularly where the investor has others dependent upon them. When this has been done the interest secured from his other investments may be utilized for the purpose of paying the premiums on the insurance, leaving the excess to the purpose of adding to the total of the accumulation.

The difference between the handling of a $5,000 investment fund and one twice its size is that the $10,000 investor may take on a few securities of less conservative nature and one or two more common stocks. However, he should continue to use careful discretion in making his selections and commitments.

For an investment fund of $10,000 the proper approximate balance of diversification would be:

Bonds in which the factor of security takes precedence over the yield, amounting to $3,800, or 40 per cent. of the total.

Preferred stocks in well seasoned industries, rails or utilities, to the amount of $2,850, or 30 per cent. of the entire fund.

An equal amount, $2,850, or 30 per cent. of the

investing total, may be divided between the investment common stocks and the semi-investment common stocks.

The savings bank reserve fund will be, in this case, 5 per cent. of the total fund.

It will be noted that the percentages cited as concerning the division of the fund for investment purposes, are percentages of the remainder after deducting the savings bank reserve.

In the suggested plan for the $10,000 investor the bonds comprise four $1,000 bonds costing $3,830, on which the average yield is 5.62 per cent. In the group one finds a solid utility, a well known industrial, and two different rails — all standing the acid test of safety and ample security making them attractive despite the comparatively low average yield. The net annual returns from these bonds will approximate $215.

Among the 35 shares of preferred stocks suggested for the program of the $10,000 investor, we find that 10 shares are rails, 10 shares of an industrial and 15 shares of a utility. The average yield of these three issues is 6.38 per cent., bringing an annual income of approximately $180 on an investment of $2,820.

For the common stocks in this list the suggestion points out 12 shares of a well known public utility as the backbone of the common stock portion of the investment program, with a counter balance of 10 shares of railroad stock which has possibilities for larger dividends and improvements in market value in the future.

The average yield on the common stocks is 6.49 per cent., making an annual income of $178 on the investment of $2,764.

For the entire group under this suggested plan the average yield is approximately 6 per cent., or an annual earning of $596.44 on the entire fund of $10,000 after the $23.44 interest on the savings bank reserve account has been added.

With a capital fund of $25,000, we find that the allowable proportions for the various divisions is as follows:

Bonds, $8,400, or 35 per cent. of the total after a $1,000 savings bank reserve has been deducted.

Preferred stocks, $6,000, or 25 per cent. of the investing total.

For common stocks, both investment and semi-investment, the allowance is $9,600, or 40 per cent. of the investment portion of the entire fund.

It will be noted that in this $25,000 fund that while the allowance for common stocks is larger than either the allowance for bonds or for preferred stocks, yet the total of the bonds and preferred stocks is much in excess of the allowance for both investment and spec-investment common stock — thus establishing a solid backbone to the investment program which will assure against any very serious loss to the investor.

This factor of safety is further enhanced by the diversity in the stocks themselves. For instance, it will be noted that there are seldom two securities of any

one class held — should rails not prove profitable, it is likely that industrials will experience a good year, or if industrials fall by the wayside, the balance will be kept even by the well chosen utilities.

For the workingman there is only one possible scheme or plan of investment — to place his savings where they may be readily accessible in time of need, but where, at the same time, they shall produce an earning in keeping with their safety.

The first item on the investment of the workingman must be the right kind of life insurance for the protection of his family in the event that he and his earning power are removed. This is necessary because the workingman has no assurance as to the length of time his earning power will remain unimpaired, and it would be manifestly unfair for him to leave his family to carry out the obligations of life which he, himself, has incurred.

Following life insurance the workingman can next invest his funds safely by depositing them in the savings bank. Better still, he can place them in building and loan shares, which, requiring a definite saving each month, will not only stimulate thrift, but will assist him in establishing a borrowing credit for building purposes at the same time his savings are earning a fair return.

Many of the larger corporations, in order to stimulate thrift and happiness among their employees, provide arrangements whereby the workers may purchase

stock in the company on easy payments, and sometimes at lower prices than it may be obtained on the market. The purchase of a certain amount of such stock is permissible for the workingman, but he should not invest all of his savings in this manner, for the very excellent reason that he might find himself out of employment and his invested funds not producing dividends if the particular line of business in which the firm is engaged should experience a period of depression.

No stocks, other than a limited interest in the corporation employing him, should be indulged by the average workingman. Instead, he will do well to place a portion of his savings into sound bonds or mayhap a few preferred stocks.

If the workingman will steer clear of speculative securities of all kinds, and limit himself to the class of securities named in the foregoing paragraphs, he may logically expect an annual yield of approximately $175 on an investment of $3,000. This may not seem much by comparison with the brilliant promises of some stock salesmen, but it is safe and sure, and the workingman should not overlook the fact that compound interest has performed wonders far in excess of the most flamboyant promises of salesmen.

The thrift fund of the workingman — his savings — is the barrier he places between his family and want. It will keep him from being dispossessed of his home. It will assure of medical attendance for the children in case of illness. It is a fund to be nurtured carefully

and guarded watchfully. If he place it in speculative investments he is not at all unlikely to find the barrier removed when he can least afford the loss of such protection — and both he and his family will suffer.

The small business man is, in his business, a speculator. He endeavors, by his knowledge of the laws of supply and demand, to stock those things for which there will be a ready market, and which he can handle at a profit. In his investment program further speculation should have no place.

The investment program of the small business man should have as its purpose the building up of an independent financial security upon which he can draw for the benefit of his business in case of trouble, or emergency in the home. Only selected securities of the highest grade will permit of such independence.

In addition to safety of principal, the desirable features of investments into which a small business man may safely place his surplus funds, are ready marketability and a high collateral value. There are many periods in the life of any business when it is not only desirable but most necessary to raise additional capital quickly. With the securities of ready marketability this is possible — or with holdings having a large "loan value" at the bank, he may be able to borrow on his holdings to take care of the pressing need. High-grade bonds and carefully selected stocks listed on the New York Stock Exchange will usually provide both these features.

Because a small business man has made a success in the conduct of his own business to the point where it provides a surplus with which to make investments, is no indication that he has developed a degree of acumen which will enable him to cope with the skill of purveyors in corporation promotions, or the professional traders and insiders to whom speculation in stocks is a regular business. He will do well to recognize his limitations of selection outside the field of his immediate business experience, and hold the placing of his funds in primarily safe bonds and the best grade of preferred stocks.

Although the small business man may not indulge himself in the slightest straying away from the paths of safety, because of the hazards incident to his business, there is not quite such a stringency placed upon the investment selections of clerks and other salaried workers in the business field.

The so-called white-collar worker is usually in better position to secure financial judgment and information concerning investment possibilities than either the workingman or small business man. His education better fits him for ready assimilation of financial trends than does the education of the workingman, and further, he is usually less liable to periods of unemployment.

For the salaried worker who actually desires to build solidly and provide for the day when he can have the financial independence which will permit him to get

out of the "salaried man class," the best foundation will be found in stones composed of high grade bonds, carefully selected preferred stocks, and a small sprinkling of common stocks of well seasoned corporations such as the rails, utilities or industrials.

The salaried worker need not pay so much attention to the factors of marketability and collateral value as the small business man, because he is not so likely to require his reserve funds for emergency uses. Therefore, he will be able to secure a higher yield by the purchase of long term bonds and stocks which possess the possibility of appreciation in value with the development of the industry.

The main thing the salaried worker has to guard against in the working of his investment program, is too great a sureness in his own ability to separate the good from the bad in the many opportunities which are presented to him.

The professions of teaching, and the ministry, are not only highly specialized, but by comparison with other professions, do not, as a general rule, provide any great financial surplus for diversion into the fertile investment fields. Therefore, upon the very face of this condition, it would seem readily apparent that the thrift of teachers and ministers should be husbanded to the utmost.

Life insurance and annuities should form the major portion of the base of the investment programs of both ministers and teachers. This is necessary as a protec-

tion against the days when they shall become superannuated and have to give way to younger blood of greater energy and more advanced teachings. After a definite assurance against want in the days of retirement has been assured, the minister and the teacher may turn attention to other forms of investment. Men and women of these professions who are ordinarily without specialized financial or business experience should buy only securities of the highest grades.

In reality, of all classes of investors, the teacher and the minister should possess the fullest and best rounded-out type of knowledge concerning the placement of funds to advantage and safety. A part of the training for leadership — the leadership these professions naturally assume — should be in the fundamentals of investment. This, not alone for the protection of the persons in these professions, but for the protection of the many who turn to teachers and ministers for guidance in many matters. There is a definite weight of financial responsibility attaching to both these professions, which seems to be but little recognized in the present day.

The minister in particular has exceptional opportunities for getting reliable advice, since he comes in contact with the foremost citizens and is almost always on friendly terms with the leading bankers and business men of his community. The teacher has many similar opportunities — if not by direct contact with business and financial men of high repute, yet such sources of

dependable information can often be reached through the children of these men, who are pupils.

The professional man requires investment for his surplus funds — and requires a dependable form of investment to even greater extent than does the business man. Unlike the business man or the manufacturer, he cannot take his surplus and "plow it into the business" for the purpose of building up a greater and more prosperous business which will create a profit-producing estate for his family. In the conduct of his business there is only a certain amount he can successfully utilize in the purchase of new equipment, apparatus or office furnishing. His surplus must be invested.

The first foundation stone in the investment program of the professional man should be connection with a dependable investment house of the highest integrity. He needs the service of such a house just as much as the men in any other walk of life need his professional services for their bodily welfare and physical comfort.

As a matter of fact, the entire foundation might be constructed of this one stone. If the professional man will use the same ordinary care in the selection of the investment house with which he purposes to do business, as he would expect any business man to use in the selection of a doctor or a surgeon, he need worry none at all about the further selection of his investment securities.

The professional man must invest — but he cannot

afford, under the circumstances, to indulge in speculation, particularly the playing of the stock market on margins. It is conducive to neither confidence nor professional dignity for a doctor to have to leave a patient for the purpose of answering a telephone call in which the person at the other end of the wire is calling for more margin. It is credibly stated that continued and close scrutiny of the stock ticker tape so weakens the eyes of a professional man that he cannot adequately perform the functions of his calling.

Life, health and accident insurance, together with high grade bonds and carefully selected preferred stocks, should constitute the securities into which the professional man places his surplus, that he may provide against his own old age, and for the comfort and happiness of his dependents.

Years ago there existed a superstition that it was sinful to sell to a woman investor anything less safe and secure than a United States Government bond. Even to-day the cry of reformers in the financial world is based largely upon the losses of widows. Hetty Green was a widow, and there are no records of her ever having been stung in a stock transaction.

Throughout the country there are thousands of women who have proved their right, in the financial fields, to be considered as keen, clear-thinking business persons.

The woman investor who loses her funds can blame only herself for the loss. Right advice, freely availa-

ble, from business men of the highest type, is hers for the asking.

For women, as for all other investors, the first placement of funds should be in securities of high rating, that the foundation of security against want may be laid. The savings bank, building and loan shares and bonds of the best kind should be the original investment for the woman, whether she be in the business field or staying close to the home. When she has laid such a solid foundation — a foundation which will assure against discomfort in time of stress — she may then turn her attention to the type of securities and stocks which will secure a greater earning power for her.

Most women who lose money by poor investments have the elements of hurry to blame, more than any other factor. They do not take enough time to carefully consider and thoroughly investigate the things which are offered to them. Many an old woman, divested of her savings, has given as her reason for purchasing unsound securities, "He was such a nice young man. He told me he was getting the stock especially for me, and I must take it right away or he would not be able to hold on to such a fine proposition." Of course there are nice young men in the securities-selling field, who are thoroughly reliable — but these nice young men are not in such a terrific hurry to make a sale if their proposition will stand a thorough investigation. For those who are in doubt, the "nice" men might be eliminated from all business dealings, and

purchases of securities confined to men who are neither quite so " nice " nor in so much of a hurry.

For the woman investor, until she has gained considerable experience in the selection and judgment of securities, there is one safe rule which will never fail her — do not buy investments of any kind without first securing the advice of at least two business men of high standing who have no interest in the organization offering the securities for sale.

It is unfortunate that the majority of husbands do not find the time to school their wives in the handling of finances or show them how to distinguish the reliable adviser from the person who is merely seeking to take advantage of the woman's ignorance in money matters.

The widow has many advisers ready to assist her in "investing" her fortune. When the period of full mourning is past and the estate has come into her hands, there is no shortage of persons with plans for the disposal of her money.

Some time ago a widow with $20,000 to invest inserted a want ad in a newspaper asking for advice. To one insertion of this advertisement she received 263 replies. Of this entire number but 16 were received from reputable investment houses, and of all the rest only four were reasonably sound, according to the analysis of a trained financial man.

The speculative instinct is strong in all women — that is to say it is stronger in the average woman than it is in the average man. She finds it easy, because of

this speculative instinct, to listen readily to the tales of fabulous returns for a small investment, and to succumb to the blandishments of the promoter.

In the case of the particular widow to whom my attention was called, I found a rare exception. Instead of harkening to the lure of promised big returns, she did not answer a single one of the replies she received to her advertisement. Perhaps she was confused by such an array of possibilities, perhaps it was because she detected an undercurrent of insincerity in the letters, perhaps it was because she saw there were many ways to lose money as well as to make it. It might have been any one of these reasons, although she gave the truly feminine one, "Because."

However, she did not waste her patrimony in useless investment — for some reason, still unaccountable, she took her investment problem to a reputable investment house — and lived happily ever after.

The bank with which one does business can often be of material assistance in selecting an investment dealer of high integrity and absolute reliability. Most banks, as a matter of service, will arrange to help their customers judge a broker's standing. The larger institutions have card indexes of the morals and methods of a wide number of brokers, as well as a record of their vices and virtues.

The widow of relatively limited financial resources, forced to live on the return from a comparatively small supply of capital, is beset with temptation to secure

the greatest possible earning power from her money. She should always remember that, generally speaking, the degree of safety declines as the rate of yield rises.

Tragic experience over a long period of years has revealed that it is a good policy for the widow and orphan, untutored in the ways of business, to select primarily high grade securities. Those stocks which represent little more than the aspirations, hopes and hot air of speculative promoters are not for individuals in these economic circumstances.

United States government securities, such as Liberty bonds, are the ideal security for persons in this category and a portion of the available money should be put in such issues. However, because of their relatively low yield, the widow will desire to supplement them with the carefully selected bonds of some of the most ably managed railroads, industrial and public utility corporations. After such a foundation has been built she may augment her earnings to a still further degree by investment in preferred stocks of a highly seasoned and carefully selected kind. Remembering always that the first requisite in investment for the widow and orphan is safety of the principal.

There are four factors to be considered in the selection of an investment security, according to Roger Babson. They are: First, security; second, marketability; third, yield; fourth, ethical factors.

These factors and their order of importance apply particularly to the investment purchases of widows

and orphans without schooling in the fields of business and finance.

As the base of a simplified investment program, which is applicable to all classes and conditions of persons, let us use the warning sign adopted by the railroads: "Stop! Look! Listen!"

Stop — do not allow yourself to be rushed into a hasty investment by the statement of a salesman of stocks or bonds that the price is soon to go up, or that only a few shares are left.

Look — carefully into the investment that is offered you for your savings or earnings. You worked hard once for the money; look carefully before you give it to someone else to invest for you, especially if you do not know much, if anything, about the company or the salesman.

Listen — to what your investment broker or banker tells you about investing. He sits at the crossroads of travel and information, and while he may occasionally err, he is more likely to be right because of his training and sources of information than is one who has not had his experience.

Chapter Ten

PROVIDING FOR OLD AGE

OLD age is nothing of which to be ashamed. On the contrary, it is a condition to which we should all look forward with anticipation, for it is the period when we can reap the greatest reward from life — providing the old age period shall reflect the energy, ability and good judgment we have exercised during the earlier years.

And old age has this advantage in its favor — we can prepare for it. It is just as important to prepare for old age as it is to prepare for the additional costs we know must be paid upon the advent of the first child into the family. We cannot prepare for our own comfortable entry into this world of affairs — but we can prepare for the time when we shall be getting ready to make a graceful exit.

Of course, the other angle is that it costs more to grow old, and to die, than it costs to be born. Perhaps that is why we have the opportunity to make our own preparations, and a much longer time than is accorded to our parents for getting ready for our arrival. Just because our parents defrayed the costs incident to our coming is no good reason why we should expect to be

taken care of at both ends of the journey, and let the costs of our going be defrayed by our children.

The average parent spends much time, effort, energy and thought on the welfare of his children. This is but natural. It is but human that the parent should wish to see exemplified in his offspring the ambitions and ideals he himself has not been able to bring into actuality. The child merits these attentions, for that is the order of progress. But in caring for the child the parent should not shirk the responsibility of providing also against his own non-productive years.

The human machine wears out. As the years roll around we find, little by little, that we have neither the strength nor the stamina of the days gone by. Very few old men will admit it, but as a matter of fact the mental processes become slower as well. It is our duty, to ourselves and to our fellows, to assure during our days of strength and plenty, that we shall not become charges upon others in the days when we cannot maintain our maximum production.

It is real tragedy to listen to the tales of a once prosperous old man. It is woeful to have the confidences of an impecunious grand-dame, as she tells of the days when she ruled supreme as mistress of a happy home.

The real pity lies not in the tales, nor in the persons who tell them. The real pity lies in the fact that the condition, in the majority of cases, was not necessary. In this land of opportunity, where the great masses of us are enabled to produce more than we require for

our actual needs, we make but little provision against the day when old age shall creep upon us. Such a little saving, such a little conserving during the days of our plenty, handled properly and placed safely, would obviate the necessity for such dolorous stories.

Each of us, man and woman, owe to ourselves the thought of future needs. Some parents are so generous with their children that they sacrifice everything for the future of those youngsters, fondly believing that the children will recognize the sacrifice and care for them warmly in the days to come. Sometimes children do recognize and remember — more often they do not.

The eventide of life can be restful, it can be peaceful, it can be filled with sunshine, it can be independent. But whether it be these things or not, depends pretty much upon the manner in which we make preparation between the ages of 30 and 50.

Statistics have a way of slapping us right squarely in the face sometimes. The statistical fact which tells us that only 5 per cent. of the people possess wealth at the time of death, is one of the slaps. Another slap is the fact that 85 per cent. of all persons beyond the age of 65 years are dependent upon friends, relatives or charity.

Then, it would appear that a most logical part of our program of successfully financing the home should be a consideration of a definite and assured income for the parents during the eventide of life; of assuring that they will not be of the 85 per cent. dependent

upon the charity of others for their housing, feeding and clothing. This is a consideration which becomes the duty of both parent and child. It is the duty of the parent to provide against the day when his earning power shall have waned, in order that he and his mate need not be a burden upon others. It is a duty of the child to assure the old age income of the parent, if for no other reason than because the parents have spent the greatest part of their energy in providing ways and means for his happiness and success.

And — this is a statement which cannot be made too forcibly — parents are entitled to homes of their own during the later years. They are entitled to homes of happiness, and homes of happiness cannot be found where domicile is established under the roof of another family. No son or daughter, regardless of how kind or generous that son or daughter may be, can give to the parent the same happiness in the child's home as would be found in a little cot of its own. The aged parents need, and require, for the greatest measure of happiness, a place where they can do as they please; where they can be surrounded with the things in which they take the most pleasure; where their hours and habits and modes shall be of their own making; where old-time cronies and old-time friends can come to visit undisturbed by innovations of a younger generation.

During the years of family building and home making it will be well for the home makers to bear this thought in mind. It is a thought which must not be

obscured or lost in the big plan of selecting the first house, bringing the children into the world, educating the little ones, or planning glorious futures for them. Sometimes children have a way of accepting all these things as a matter of course, going on out into the world, fighting their own way to success, and not remembering wholly the efforts the parents have put forward in their behalf.

What will it cost, monthly, to maintain a home and comfort for the parents? This may be used as the basis for computation, or as a guide for the establishment of an investment which will secure the result of supplying such an amount.

In the eventide of life people do not, as a rule, require as much to make them happy as was the case in the earlier years. Expense is not so heavy. They are better satisfied with the more simple things. Their wants are not so many, nor so expensive. The thing they want most of all is a cheery home and peace.

But peace comes only with security. And this means that whatever form the investment for the parents' old age income may take, its principal consideration should be, "Safety first, last and all the time."

Unless we are to depend upon the generous instincts and charity of others the real secret of old age income for parents is proper preparation during the years before old age creeps upon us. As we have noted in the survey compiled by Mr. Babson, the real tragedy of the average American home comes after the age of 65 is

reached — and it is a tragedy because adequate preparation was not made during the years when production was at its maximum.

If we could be assured of a capital fortune of $75,000 when we reach this age of 65, there would be no need for consideration of expense, for we could rest securely in the thought of an annual income of approximately $4,000 or better as long as we might live — and this amount would mean independence.

In a recent number of Forbes Magazine there was a brief article by R. P. Crawford. Mr. Crawford says it is an easy matter to have a fund of $75,000, and to have it at the age of 62 instead of 65 — and in a simple manner. Here is the story:

"Do you want to guarantee yourself a fortune of $75,000 by the time you are 62 years of age, with the further provision that should you die any time after your twenty-sixth birthday, you are to leave an estate of not less than $1,750? The answer is here:

"Can you save $5 a week from 20 to 26 years of age (a total period of six years), or, if you are already around 26 years of age have you $1,750 to start with?

"Can you save $10 a week from 26 to 37 years of age?

"Can you save $15 a week from 36 to 50 years of age?

"After 50 years of age you are not required to save anything.

"If you want only $25,000, you can save a third of

these amounts. If you want $50,000 you can save two-thirds. This plan can, of course, be carried out by people at other ages — the later you start the later you will complete.

"The success of this plan does not depend on any highly speculative matters. It simply depends upon your ability and willingness.

"First, begin by starting to save $5 a week on your twentieth birthday, or have $260 (for the year) ready on your twenty-first birthday. As rapidly as possible invest this money at 6 per cent. interest, preferably in secure bonds, reinvesting the interest as far as possible each time.

"On your twenty-sixth birthday you will have at least $1,750. If there are odd sums of money that cannot find investment at 6 per cent. they will not greatly affect the final result. For the first six years we have made generous allowance for that. These small amounts can accumulate in the savings bank until there is enough to buy a secure 6 per cent. bond. Later on this difficulty will disappear as you begin to accumulate larger sums and the interest payments to you become larger."

But here is another little angle of the plan suggested by Mr. Crawford:

Old age independence would be assured after the age of 62 if only the first six years of saving were accomplished. As he has shown, if one will save the small amount of $5 each week from the twentieth to the

twenty-sixth birthday, and these savings were invested at 6 per cent., the accumulation would be $1,750.

Now then, suppose one were not to go further than that — stop saving at that point — or let that amount stay invested without further additions merely as a guarantee against dependence in old age. Between 26 and 62 are 36 years. The value of $1 invested at 6 per cent. and compounded annually, for 36 years, is $8,147. Therefore, our little fund of $1,750, saved between the ages of 20 and 26, would have grown to the very handsome proportions of $14,057.25. If we leave this amount invested at 6 per cent., and take the earnings each year to meet current expenses, we shall have an annual income of more than $943 — or more than $78 per month.

As many persons well along in years can tell, an assured monthly income of $78, with a capital fund of $14,000 behind it for extreme emergencies, would spell financial independence — would make the evening of life the glow of sunset, rather than the dark, dank bitter experience they know.

Chapter Eleven

WILLS, TRUSTS AND ESTATES

PROPERTY is never without an owner. This is a rule of law. While we are alive our property belongs to us — immediately upon our death it acquires other owners. Who will be the owners when we are gone? The law permits us to determine this for ourselves before we die — if we do not so determine, and leave written evidence of such determination, the law then steps in and decides for us. The manner of this determination by us can be accomplished only in one way — by the writing and leaving of a will.

The person who does not make a will is said to die "intestate." The division of his property, according to the terms of the law of the state in which the property is located, may be radically different from the manner in which he had intended the property to be divided and distributed.

It is not only the privilege, but the duty as well, of every person owning property, whether that property be real or personal — whether it be real estate, buildings, money, physical possessions, stocks, bonds, or securities of any kind — to make a will.

No person, young or old, whether his estate be large

or small, should delay indicating the disposition of his real and personal property to the persons or endowment or charity he desires to have enjoy it after his death, unless it be his wish that the property be divided and distributed in the exact proportions described by the law. It is seldom desirable that the property be distributed according to the exact requirements of the law. If there are minor children, or where there are no lineal descendants, it is seldom that the provisions of the law will coincide with the natural wishes of the person who has built up the estate.

Many persons keep putting off the matter of making a will until some later time so that all the property may be properly awarded, or they keep waiting to see whether daughter Jane will have a baby boy or a baby girl, or whether John and his new wife will get along well together, or for some personal reason quite aside from the problem of will making itself. There is no need for such delay, because a will can be changed or revoked entirely at any time a person cares to make such change or revocation.

The main thing to remember is that the making of a will should not be delayed another day.

Many things must be anticipated in the planning of a will. Every conceivable contingency must be taken into consideration — a birth, a marriage, a death may intervene to change the desired ultimate distribution; the character and value of the property may change; the requirements of the family may change materially;

and the persons named in the divisions of the property may not outlive the person making the will. It is, therefore, well to provide for such contingencies when making the will, and then to review the will at definite intervals to see whether or not it is advisable to make a change in it or to revoke it entirely by writing a new will.

The way in which a will is written is most important. It should be clearly written so that the intention of the maker is quite plain, because a single word or phrase that is not readily understood, or a trifle hazy as to exact meaning, may cause long, bitter and costly litigation between the persons named — may cause enmity between the persons who should be united in friendliness as a reason of their common sharing in the property.

A competent attorney should be entrusted to the drawing of the will. There are certain legal requirements, relating to the wording and phrasing of the will, particularly as to the specific conditions obtaining in the laws of the different states, which can be better met by an attorney than by the average person not acquainted with all of the little niceties of the law. The moderate fee charged by attorneys for this service is very small in comparison to the protection thrown around an estate by a properly drawn and executed will.

But before the will is made it will be found advisable to consult with the officers of a well-established trust

company and see whether it is possible to establish a trust which will positively assure of the estate being divided precisely as one desires that it be divided, or that the beneficiaries shall have the protection against want that is intended. The officers of any trust company will gladly advise in this relation, and will direct one to a competent attorney for the drawing of the will.

There are few of us who engage in the game of business merely for the pleasure which comes from accumulating money or property. Back of all our working is the thought of the home and of the family in the home.

Unfortunately, most of us are so busily engaged in the accumulation of the things which shall constitute an adequate estate for the purposes mentioned, we have but little time or inclination to educate our families in the proper use and management of the estate after its founder has gone on. That this is true is shown in the records of actuarial organizations, indicating that the average estate is entirely dissipated, squandered, lost or stolen, within seven years after the death of its founder.

From these conditions, or because of them, to a large degree, has grown the institution we know as the trust company. We might define a trust company as a guardian of dollars and property, highly trained in the detail of safety, and so legally safeguarded as to make it practically impossible for it to err in matters entrusted to its care.

The services of trust companies may be made to accommodate the needs and requirements of almost any condition or size of family or estate. Their charges are made only for work actually performed and their maximum fees are clearly defined by law, although it will often be found that the costs entailed are actually much less than the amounts they are permitted, under the law, to charge.

Because the adequate protection of the surplus one acquires during the times of prosperity and production, and the safeguarding of the interests of the loved ones after the head of the family has passed on, are just as much a part of the successful financing of the home as is the actual accumulation of the funds for the building of the home and the estate, we shall attempt to describe briefly the functions of trust companies and the manners in which these functions may be utilized.

The following general list gives some idea of the class of service modern trust companies are prepared to render in this capacity of agent:

The trust company will accept from individuals, firms or corporations, the custody of securities and gives a receipt for them. This, first of all, assures of the safe keeping of such securities because all modern trust company organizations are equipped with the latest and most modern of safe deposit vaults. At the time the owner of such securities deposits them he gives the trust company a letter of instructions as to what its full duties are to be in connection with the account.

Under these instructions the trust company collects, and credits to the account of the depositor, or remits to him, the income from the property entrusted to its care. In the case of principal received from matured investments, such as called or matured bonds, or the like, it follows instructions concerning the reinvestment of the funds thus secured, or is prepared to offer a safe plan for reinvesting.

Under the authority of agent it will prepare certificates of ownership which are required under the Federal income tax laws to accompany interest coupons when they are forwarded for collection.

It will purchase or sell securities under specific instruction from the person for whom it is acting.

It will render the depositor, at such times as he may designate, periodical statements showing the securities held, and money received or paid out.

When requested to do so, or at periodical times, the trust company will issue reports on the client's investments, and these reports will give such information as: increases, reductions and the passing of dividends; the privilege of converting bonds into stock; the right to subscribe to new issues of bonds and stock; the calling of bonds, at which time interest ceases; the appointment of receivers; the appointment of protective and reorganization committees; the details of reorganization plans.

The trust company, on behalf of its client, will take care of the payment of taxes on real estate and personal

property; interest on mortgage and bank loans, and premiums on life, burglar and fire insurance.

The renting and selling of residence property, the collection of rents and the making of repairs, are all included within the list of services rendered by trust companies for their clients.

Payment of allowances to children, relatives and other dependents is another of its services. This is a service many persons appreciate, not only because it permits of the payment of such allowances with a regularity upon which the dependents can depend, but it removes the aspect of charity which sometimes attaches to the direct and personal payment of such funds — an aspect which is distasteful, in many instances, to both giver and recipient.

When a person desires to be relieved from the detail and routine care and from the trouble and worry of management of his property — both real and personal — and at the same time to feel that his property will receive expert supervision and attention, he will find that the trust company with its varied organization and modernly equipped facilities is in a position to give the utmost care and service to the conduct of such an agency relationship.

The trust company does not handle any stock company promotions, or do a surety business or join in surety or fidelity bonds. It does not speculate or expose to hazard any property entrusted to it. It does not mingle trust funds, but keeps the property and

securities of each trust separate and distinct from every other trust. It does not guarantee any fixed return on the trust funds handled by it, but secures for its clients the best possible income consistent with absolute safety of the principal.

One of the forms of trust company service which is daily growing in popularity is known as the voluntary or living trust, and is one intended to take effect during the life of the person who enters into the trust agreement with the trust company.

Such a trust is created by the individual transferring all or a portion of his property to the company under an agreement which specifically sets forth how the trust company is to handle the property entrusted to it and what disposition shall be made of the earnings and the principal.

Such living or voluntary trust may either be irrevocable, or may be terminated by the maker, according to his desires. Many business men, engaged in lines which contain elements of hazard—or in which the possibilities for loss of money oftimes offset the possibilities for large return, find the irrevocable trust a distinct advantage to them in providing a definite assurance that the hazards of their business will not sometime completely bankrupt them.

In such instances, the business man, during times of prosperity, will transfer a certain amount of his property to the trust company in the form of an irrevocable trust, to be handled for him for a given period of years,

or for him during his lifetime, and for his heirs after his death. Such property, thus transferred to the trust company, passes out of the man's hands to the point where he can never draw upon its principal for the unusual demands of his business. He cannot get it to use for speculative purposes. In fact he has by the formation of the irrevocable living trust, guarded himself against his own mistakes in the future, or against the likelihood of depression in the business in which he is engaged.

The purposes to which a voluntary or living trust may be put are many and varied. The following are a few of the results which may be accomplished by such a trust: the successful handling of the business affairs of a man forced to retire through illness; to provide an income for aged or infirm persons and invalids; to build a fund for minors; for the support or education of certain persons; to provide an income to a specified religious or charitable organization; to provide an income to a wife during her lifetime; to provide an income for an intended husband or wife; to provide a marriage settlement; to provide an income under a divorce decree or separation agreement; the collecting and disbursing of life insurance.

Such trust agreements may have a duration of "two lives in being and 21 years thereafter." Meaning that it shall not extend longer than the duration of the lives of two generations of persons who may be named as beneficiaries in the trust, and 21 years beyond.

Where the voluntary or living trust holds the power of revocation at the will of its maker, the person may have his property returned to him by the trust company at such time as he may elect to terminate the agreement. These trusts may be created to last for a term of years, or during the lifetime of the maker; or after his death, during the lifetime of his wife or his children, or both.

The maker of such trusts is assured, by means of the trust, operated under the restrictions of the law and by competent persons, of the proper management and investment of his property, and at the same time he is relieved of all burdens and responsibilities in connection with it. It provides a manner in which a person can secure his property against loss and yet enjoy the income it produces.

Statistics prove that through the lack of business training and investment skill upon the part of widows and children, over 80 per cent. of the life insurance money paid to them is dissipated within five years after the money is received from the insurance company. This is not at all the desire of husbands when they purchase insurance for the protection of their loved ones. It is because of this alarming loss that the life insurance trust has been brought into being.

The purpose of the life insurance trust is to insure insurance.

Practically every man in all walks of life, nowadays, carries life insurance in order that his wife and children

may have adequate provision for their needs after he is no longer able to provide for them. Many men, however, think that by carrying life insurance they have made full provision against the day when they shall be called by death and that the interests of their loved ones will be amply protected.

In many cases the insurance carried is sufficient in amount to produce ample income for the family, if it be invested wisely. But in the majority of cases the burden of investing and conserving the insurance money falls upon the widow, who is inexperienced in matters of business — especially the business of investing money to produce an income.

In addition to her lack of experience in selecting the proper investments for her funds, she is always confronted by the wily promoter with his get-rich-quick stock, or the friend with his safe-and-sound investment. These suave gentry are always on hand just about the time the unsuspecting widow gets her check from the insurance company. The usual result is that the widow soon loses the fund which she and her husband made many sacrifices during his life to build.

The life insurance trust has been created for those who, out of solicitude for the welfare of their families, desire to prevent the dissipation or loss of insurance money and to place it beyond the reach of designing persons and bad advisers.

The matter is simply done. The person taking out

the insurance names the trust company as the beneficiary in the policy, instead of the individuals he desires to benefit by the insurance money. He then makes a trust agreement with the trust company whereby that institution will collect, hold and invest the proceeds of the policy in strict compliance with the wishes of the insured. For the benefit of the wife, children, or others who may be named in the agreement, the trust company will pay the income and eventually the principal in such proportions and at such times as are stipulated in the agreement.

There are many advantages to be gained from such a handling of insurance money. The terms of the contract — that is to say, the conditions under which the trust company will pay the earnings or principal of the insurance fund — can be made according to the desire of the insured. For instance, he may stipulate that normally the earnings of the fund be paid to his family, or the different members of it, at certain specified times and in definite sums. This is a condition covered by some forms of insurance policies. But he may make further stipulations whereby the trust company will be empowered to pay to the beneficiaries certain sums from the principal, in the event of unusual emergencies, contingencies or happenings — or he may make provision that payments to certain children are to cease in the event of their marriage and the earnings be prorated among the remaining members of the family — or he may arrange that a certain portion be released for

the payment of the mortgage upon the home at a predetermined date.

When a person makes a will he has the privilege of naming a person or an organization to take charge of his estate and see to it that the provisions of the will are carried out. Such a person or organization is known as the executor. If a person dies without having made a will the probate court will appoint someone to handle the estate — the person appointed by the court is known as an administrator.

The duties of an executor are to take possession of the estate; collect the accounts due the estate; pay the debts and expenses; make proper reports to the court; and at the proper time make final report to the court and distribute the estate according to the terms of the will and under the directions of the court. As a rule, this is accomplished within one year after the time the will is admitted to probate, unless conditions peculiar to the settlement of the estate make a longer time necessary.

In the olden days it was customary for a man to name his closest friend or business adviser as his executor — in other words, he picked out his best friend to be the financial head of his family and the guardian of his children during the time of administration or closing of the estate. This was a very nice compliment and expression of confidence for the friend — but it was also a trifle unfair, because of the amount of time, labor and responsibility involved.

An individual, even though he be a personal friend and have marked business ability, does not usually have sufficient time nor experience in the handling of estates to properly administer such affairs; he may not live long enough to complete his duties; his own affairs must not be neglected, and he may be absent on important business or on a vacation when the affairs of the estate need his attention most.

The proper administration of estates is the business of a reputable trust company, and with such an organization it is not a side issue as in the case of an individual.

Consideration of the few following facts in connection with trust companies immediately prove their worth from the standpoint of executorship of estates: they are permanent institutions, they never are sick, never die. They continue to grow in strength and their ability increases as their business grows. Regulated by law, the trust company's sole purpose is to carry out faithfully every instruction in the will. The estate is protected from loss by its capital stock and surplus, as well as by its stockholders' liability. Its officers are available for business every business day in the year. It does not drink or gamble or speculate. It has no likes or dislikes and it cannot become mixed up in family disputes. The trust company accomplishes most for itself when it serves its customers best.

As noted above, the probate of an estate usually requires about one year and it is the duty of the execu-

tor to close the estate as soon as possible. In closing it he either makes distribution to the heirs according to the terms of the will, or if the estate, in whole or in part, is to become a trust for the benefit of the heirs, he closes the estate by turning the trust portion over to the trustee. It is the privilege of the person who makes the will to name the trustee as well as the executor.

The duties of a trustee appointed under a will are to receive the trust estate from the executor at the close of the probate proceedings and to hold, manage and control it, invest and reinvest the proceeds of the trusts, and to distribute the income and the principal to the beneficiaries. The trustee must continue to perform the duties until all of the provisions of the will have been met, although it may require many years. This batch of duties and obligations would seem to be rather an imposition to heap upon the shoulders of even one's closest and dearest friend.

More and more keen business men are planning their estate distribution so that all or a portion will remain in trust for the benefit of their families. In many cases it is very desirable that property be conserved and protected and the use of the principal withheld until the members of the family have ripened in experience or no longer need protection. These men realize that it is sometimes more difficult to keep property than it is to earn and acquire it.

Often the wife is less experienced in business matters

than the husband. As a widow she must shoulder the responsibility of the husband's affairs in addition to the burden of management of the household. This responsibility, together with her inexperience, places her in a position where she may easily become the victim of unscrupulous advisers. Then, too, the sudden acquisition of a large amount of money or property by a wife or child or other relative imposes a burden and responsibility that is not easy to carry even by those who are experienced and trained in business affairs.

Prudence, as well as one's love for his family, therefore, dictates that the property be placed in capable and experienced hands for management. A man would hesitate to turn over a large sum of money or property to his inexperienced wife or his minor children while he was still with them to manage their affairs and protect them against loss. Yet this is precisely what he does when he dies and leaves his estate to be divided among the members of his family to do with according to their whim or fancy. By creating a trust the danger of the dissipation of the estate and the consequent suffering of the loved ones may be avoided.

Trusteeships under wills may be created to fulfill almost any disposition of an estate which the maker may desire. One form which enjoys a growing popularity leaves the major portion of the estate as a trust from which the widow receives the income during her lifetime, and after her death the principal of the estate will be distributed among the children as they become

of age, or later as they attain maturity and acquire experience.

In the matter of admitting the will to probate, we will enumerate briefly the many steps which must be taken — how to take them is not known to the majority of persons regardless of their business experience.

First, the petition for the probate of the will must be filed, and the original will must also be filed with the court. Then a notice of hearing of the petition for probate of the will must be published in the manner and publications set forth in the law governing such matters. A notice of the hearing of the petition for probate must be mailed to the proper persons, also in the manner and at the time prescribed by the law.

If the will names an executor it must be determined whether he has renounced the right to act, and if he has so renounced, or if no executor is named then there must be a petition for the appointment of an administrator signed and attached to the will.

Next, the person handling the matter must determine whether the notice of hearing for appointment of administrator has been posted by the clerk and an affidavit filed. Then it must be determined whether an affidavit has been filed showing that the serving of notice of time for probate of the will has been mailed. Also, if an affidavit has been filed concerning the publication of the notice of time for proving the will.

The person handling the matter has to determine whether the judge has signed the certificate of proof

of will and facts found; he must know whether the testimony of the subscribing witness to the will and of the applicant for probate of the will have been signed and filed. In the event that the witnesses to the will are out of the state he must make an affidavit for a commission to take deposition of the witnesses and procure an order directing the clerk to issue such a commission.

He must see to it that a photographic copy of the will is made, have the names and addresses of the commissioners; note the time the request for deposition is sent out and when it is returned; he must determine whether the order of the court admitting the will to probate is entered properly and also whether the order of the court appointing an administrator is entered.

It is his duty to determine whether the bond of the executor or administrator has been filed and approved; whether the letters testamentary have been issued and filed; if letters of administration with the will annexed are issued and filed. He must make note if there is a contest to the will, and its outcome. It is his duty to see that notice to creditors has been published and over what period of time as well as the name of the paper; he must know the end of time when claims must be presented. He must make sure that a statement of first publication is filed and that an affidavit has been filed relating to the publication of notice to creditors.

When all of these things have been done, and done

properly, and the court so passes, then the estate is ready to be administered. Quite a hefty job for a person not thoroughly schooled in the necessary procedure—but a task the trust company can take on very nicely because it has a staff of specialists who are engaged in doing these things every day.

Chapter Twelve

HAVE A DEFINITE PLAN

LET us remember that the high average standard of life in this country of ours is due largely to the courage possessed by our people in assuming debts. We have a greater percentage of good homes and those homes are better furnished and more complete, because it is easy to buy a home, or its equipment, on the partial payment plan.

It is just as easy to save — to become an investor. The big idea is this: if the money for making investments is not readily available, get into debt.

Going into debt is commendable when present debt means future competence, and when one has a definite, personally practical plan to settle it. The proper kind of debt becomes an asset.

To have money saved is interesting, whether the amount saved be large or small. But the saving, the current, concrete act of saving of itself is uninteresting and somewhat of a bore to most of us unless we have some definite reason for saving. We need to experience a sense of pleasurable anticipation in the saving if we are to get very far ahead with the task of setting aside a certain amount of money at regular periods.

That is where the purchase of investment securities on the partial payment plan is a good thing. There is a fascination in the gradual increase of one's wealth. One begins with a considerable debt to pay off — the difference between the cost of the securities and the initial deposit. Then one sees the debt reduced every month by the payments. One sees it further reduced by the interest or dividends received from the securities. In a short time — much shorter than one anticipates — the payments are completed and one has a nest egg of a coming competence.

Money in the bank is necessary for current needs. Beyond that it is needless. Surplus money in the bank is usually idle money — and there is always a tendency to withdraw it for some expenditure which attracts the attention.

The man who has idle money should use it, invest it, at once. Then, with the money which has been saved put to work, make it a point to see that the money saved in the future begins to work, too, as quickly as it is received.

Of course the finest debt one can contract is for a home. But there is more to the purchase of a real home than just going out and buying a house which attracts our fancy. The home must be looked upon as the seat of the family happiness for the next several years. When we can decide upon the house which will fulfill this condition it is time to go into debt to provide it.

In this wonderful game of successfully financing the

home, we must produce. To produce we must work. We have to labor for a living and for the pleasures of life. A pessimist has defined labor as the price we pay for living.

Of course that is a true pessimist's definition, but accepting it at its worth, it is also well to remember that no one ever gets out of life, or one's job, more than one puts into it. If living is the merchandise we buy with our labor, we can be assured that we are not entitled to a higher priced article than we pay for.

Labor, one's job, is much more than just pay for living. Properly viewed it is chief among the pleasures of life. So viewed, it buys for us a constantly increasing volume of the tangible things which contribute to our comfort, as well as adding to our store of the wealth which money cannot buy.

In what coin shall we measure the exquisite sensation of pure weariness, when that weariness has come from continued application to the task we know well?

We all revel in excitement. The idler, who does not labor for his living, knows nothing of the joy and excitement of action, nor the feeling of exultation which accompanies the intensity of concentration.

To see a job well done, to enjoy the contemplation of the finished work, or to note the progress made from hour to hour and day by day — these are happinesses we cannot know without working.

We workers get large pay in the form of pride which comes with the knowledge that we are contributing to

the wellbeing of our dependents, and the satisfaction of adding to the general welfare.

There is a big dividend of pleasure in developing skill and speed in doing the things which are ours to do.

Contentment is one of the greatest returns received by the worker. The contented worker can always find something to interest him in his work, for his contentment grows from the knowledge that he is doing his share of the world's work, and making the world a better place to live — for himself, his loved ones, and those who come after him.

Getting the money seems to be the easiest thing we do, according to many prominent financiers and economists. Our principal trouble, as a people, seems to be in keeping it after we do get it, or in making it purchase those things which will truly render us a maximum of service for the amount expended.

Particularly is this true in the field of investing — and the field of investing is one in which we must learn to travel if we are to be able to look upon ourselves as successful home financiers. Many of us have not learned to distinguish the difference between investing and speculating.

Practically all states in the Union have formulated legislation known as the "blue-sky laws." This legislation is usually deemed as almost impregnable — officials who recognized their public duty felt they had brought into being acts which would protect the people

from losing money in hazardous speculation — or at least assure of a reasonably fair chance against loss.

Commenting on the fact that this legislation, carefully planned though it be, and designed wholly for the public good, does not accomplish the desired result of thoroughly protecting the people, a prominent financier remarked recently, "Sometimes it seems as though the general public took delight in being skinned. How can the people be protected when they don't want protection? I guess the only way is to let them learn by experience. If they lose once or twice they'll probably be more careful in the future."

Not long ago a white-haired woman, a tiny wisp of humanity, came into the office of an investment house of good repute, to ask why some stock she had bought did not bring the golden returns which had been promised by the glib-tongued salesman. She had spent her entire savings, $600, in exchange for a certificate of shares in a wholly worthless organization.

The investment consultant asked her why she had bought the stock. She said, "Well, he was such a nice young man and had such an honest face. He came all the way out to see me and stayed nearly all afternoon. He was so sure the company would pay big profits and the stock would more than double in value in just a few weeks. I needed more money to finish the payments on my little house, so I bought the stock. He was such a nice young man."

The answer of the investment banker added to the

knowledge of the little woman, but it did not get her $600 back. He said, "Even nice young men with honest faces do not ride a long distance on the street car and spend an entire afternoon to give away wealth to strangers. When they do these things they go to get, not to give. Had you asked us about this stock before you paid your money instead of afterward, we might have saved your loss. As it is we can do nothing except to caution you in your future buying."

The whole trouble was that the little woman was speculating when she thought she was investing. Nearly every one can afford to make investments on some sort of scale, in dependable, conservative securities. Some persons can afford to speculate — but only a very few.

A little house organ published by a financial firm of excellent reputation contains the following:

"'Walk — Don't run.' Did you ever notice these words over a theater exit?

"Think why it is there — think of the wild, scrambling mob, trampling each other under foot in the mad desire to 'get there quick,' in contrast with the quiet, orderly movement which gets everybody out safely — and more rapidly in the end.

"It is just so with investment. If you are overtaken by the mad impulse to get rich quick, you stand a good chance of being trampled under foot, of losing everything.

"Remember that it will only take a little longer at

most to reach your goal in a quiet, sane and safe way. Shun the investment that promises big returns right away. If it were only half as good as it sounds, you would never have a chance at it. Stick to the conservative investment based on human necessity.

"Impatience is the greatest handicap of an investor. It is time that makes an investment profitable, and it is dangerous trying to hurry time.

"Take 'Walk — Don't Run' as your investment guide."

There is no need for us dilate upon the sound wisdom contained in the foregoing quotation.

The pendulum of investment is swinging to the other side — we want to know the men behind the organizations in which we invest, and we shall be satisfied if our investments pay us a fair return.

Incidentally, a good walker can travel a much longer distance without breaking down than is possible for even the fastest runner. The speedster can get over a short stretch quickly, but he is thoroughly winded and of but little use for anything else at the end of the sprint. The steady stride of the seasoned walker is the pace which establishes transcontinental records — and the steady walker finishes fresh and fit.

Even careful creeping will get one to a desired point if one but creep consistently and continuously.

There is a real and a genuine pleasure in doing business with those in whom we can thoroughly believe.

It is often said that the American people are crea-

tures of habit. We do the same thing, day after day, with little or no variation in our program. We patronize the same restaurants and sit in the same chairs at the same tables if possible. When we attend the theaters we endeavor to secure the seats we have previously occupied. We make our purchases from the same stores and like to be waited upon by the same clerk.

As a matter of fact these are really not manifestations of habit or a desire to avoid new contacts and new experiences. Rather they are markers of confidence. We have come to know a certain thing, or place, or person, satisfies our needs or requirements and we unconsciously delight in dealings of satisfaction.

A former president of the New York Central Railway system says:

"Lack of confidence and lack of information sleep in the same bed, locked in the closest kind of embrace.

"When a man has confidence he gets along in business, but without confidence he might just as well not enter business at all.

"For confidence is the son of vision and is sired by information.

"One of our foremost business executives once told me that it would be a wonderful thing for American industry and for the peace of mind of every business man if we could replace all rumors with facts.

"So business, good business, is the substitution of information for guess work."

In the matter of investments, as in all other affairs of life, we find it pleasant to deal with persons in whom we can place confidence. This is good business, and is good for business.

And good business is the substitution of information for guess work.

Which means, in very simple language, that one should know and have confidence in the integrity of a house from which investment securities are purchased.

If we will but confine our investments to this quite simple rule we will eliminate to a very large degree the entire hazard of loss for our capital and savings.

In our land there are many business institutions dealing in investment possibilities. Banks, trust companies, investment bankers, brokers, bond houses, mortgage companies, building and loan associations and other reputable organizations.

The majority of these institutions are founded upon a solid base of honesty and integrity. They have large capital investments of their own in their communities and the ultimate prosperity of their communities. Unless their customers prosper they cannot hope to live. Usually they back the judgment of their advice to investors by having funds of their own in the properties handled.

When one deals with a reputable institution of established reputation guess work is eliminated and dependable information builds for good business.

According to statisticians 85 per cent. of the people

live only for the day; they are the "wishers" of life. The other 15 per cent. are the ones who succeed; they are the "doers."

Are you mentally deficient, improvident, incompetent or careless? The world does not look for personal initiative or foresight from persons of this kind.

For the mentally deficient we have asylums, poorhouses and the poorest paid jobs.

Improvident persons make up the great mass of dependents, parasites, hangers-on, after the age of 50 has been reached. They are the moths that fly only around the candle flame of gayety during their youth.

The incompetent are the ones who are always complaining because others are advanced over their heads — the ones who indulge in self-pity because they have never had a chance — the ones who believe progress is spelled "pull" when it is actually spelled "work."

The careless are merely mentally lazy — they don't think — and the person who does not think is worth neither consideration nor discussion.

Personal initiative is another name for being alive and keenly awake to our possibilities; of knowing our capabilities and making the most of our knowledge.

Foresight is only looking ahead and erasing difficulties before they become real.

Then again, there is fear. Fear is founded upon ignorance. We are never afraid of the things we know about. We do not fear our friends. Ignorance hides things, and we fear the things we cannot see.

It isn't hard work to do the thing we know how to do. When we know how and why we are to perform a certain task the dread of doing that task vanishes.

Know that thrift wins. Know that systematic savings build the base for productive investments. Know that money will work for you willingly if you are careful where you place it. Know these things. Any forward-looking business man can give you the proofs.

Eliminate fear by getting knowledge. Look ahead, then back your judgment to the limit. The field of finance holds no hidden dangers for the one who knows what he is doing.

It may be justly said by those who have read this book that the information and spending plans given have sometimes lacked completeness. The wide range of subjects touched upon naturally precluded completeness on any one of them. They have looked into the entire gamut of finance as it obtains in relation to the home. Each division would, of itself, require as much space as has been given to the entire series, to approach completeness.

The book does not pretend to be a complete compendium of useful knowledge concerning the ways in which money may be earned, spent, saved, conserved, invested.

The purpose of the book has been, merely, to stimulate thought along certain lines which would prove beneficial if those thoughts were carried through to a logical conclusion.

No writer can do the entire thinking for his audience. If he can sow the seed of constructive thought — perhaps make plain some things which have heretofore been confused in his readers' minds — he has done as much as he can expect to do.

But throughout the book has been one dominant thought. The man with a definite plan goes ahead faster and further than the man without a plan.

A great majority of our people just rock along, from day to day, taking pleasures when they can secure them, living beyond their incomes, making no provision against the "rainy day" which is sure to come, living in an atmosphere of hopeful expectation that maybe, somehow, some time, they will come into possession of sufficient money to remove economic worries forever.

In other words, they do not have much plan of activity other than to fool their friends into believing they are more prosperous than is actually the case, and making a hazy declaration that they guess they will be able to "get by."

The folks who travel on the hope of "getting by," seldom realize their hope all through life. The lack of a definite plan, sooner or later, causes the planless one to pay a price far in excess of the actual values he secures from life.

We are all builders in some fashion or other. First of all we are building character for ourselves, and a composite character for our community and country. We build houses with the hope and expectation of turn-

ing those houses into homes. We build businesses and business reputations. We build credit, good or bad. We all want to build family happiness.

No builder worthy of the name — regardless of the thing he may be building — can hope to succeed without a plan.

Plans are needful. They not only give us a concrete picture of the structure we expect to create, but they permit of a determination of the costs and the values, they permit of a determination as to the time when we can expect a completion of the plan, they give us a well-paved highway upon which to travel instead of meandering through bogs and sand and slush.

As a people we have an excellent reputation as savers. The per capita savings of the United States compare most admirably with those of any other nation upon the face of the globe. But we also have another reputation, a reputation not so excellent as the one for saving — we have a reputation for being the biggest wasters in the world.

Those who plan ahead do not waste.

While no one can hope to attain the greatest measure of success in any of the undertakings of life without something in the nature of a definite plan, yet there is no place where a plan is more essential or more necessary than in the quest of financial independence.

It is seldom that lasting results in the field of investment come from a haphazard, happy-go-lucky, hand-to-mouth method of saving and investing. True, there

are isolated cases where persons have made chance placement of funds in things which have produced abnormal and fairy-like returns. For every one of such cases there are hundreds of thousands of losses, where the "investors" have not only lost their capital, but in the losing have sentenced themselves to long periods of painful endeavor for the collection of another surplus fund. Many, many of these losers do not survive the period of recovery, and pass through old age and on with a spirit of bitterness in their hearts.

We all desire financial independence — financial independence is one of the ultimate objectives of the happy home — if this objective is not attained we cannot feel that we have been wholly successful in our financing of the home.

But we must never lose sight of the fact that financial independence does not spring up overnight as do mushrooms. It is a plant requiring careful planting, consistent tending, and careful nurturing.

This is the second dominant thought we have tried to express in simple language: No plan is worth anything of itself alone — to be worth anything it must be carried through to completion.

The making of budgets will have but little value other than mental exercise unless those budgets are actually used as a guide in the family expenditures, and followed as closely as conditions will permit.

No savings plan will ever amount to anything unless that plan be for a definite purpose and to continue —

sporadic savings never placed any person upon the high road of financial independence. A savings plan to be worth anything must be carried through—and it sometimes requires a large measure of courage to carry a savings plan through in the face of the many tantalizing things which just beg one to buy them.

No investment program ever worked successfully unless it was well laid in the beginning and followed consistently. It will avail but little, in the seeking of financial independence, for one to place savings regularly in sound conservative securities a hundred times, and then lose all those sound securities in one wild speculation where the hoped-for returns wiped out the sense of good judgment.

No house ever gave much happiness to a family, or ever became a home, if the building of the house stopped with the laying of the foundation, or the rearing of the framework. No house can become a home until after the roof is in place, the windows and doors installed, and it is furnished properly.

If this book has presented the thoughts which show the necessity for a plan, and the carrying of that plan through to completion, then it shall not have been written in vain, and I shall be repaid for my work.

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